

Investors Attitude towards Investment Avenues

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Abstract: Investors have a lot of investment avenues to park their savings. The risk and returns available from each of these investment avenues differ from one avenue to another. The investors expect more returns with relatively lesser risks. In this regard, the financial advisors and consultants offer various suggestions to the investors. The available literature relating to the investors' attitude towards investment avenues is very little and failed to provide a lot of information. An attempt has been made in this study to find out the main objective of the investors in Coimbatore District towards making investments and to assess the investors' attitude towards the investment avenues. The demographic variables and objectives of the investors have been obtained from the respondents and the relationship between these variables and objectives has been computed. The attitude of the respondents towards the select investment avenues has been ranked. The study also offers suggestions to the investors to make investments.

Keywords: Investment, Investor, Attitude.

1. INTRODUCTION

In this modern era, money plays an important role in one's life. In order to overcome the problems in future they have to invest their money. Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands, Safety of money, Liquidity, the available avenues for investment, various financial institutions, etc.

Investment is a purchase of a financial product or other item of value with an expectation of favorable future returns. Investing is a serious subject that can have a major impact on investor's future well-being. Investors have a lot of investment avenues to park their savings. The risk and returns available from each of these investment avenues differ from one avenue to another. Even if the individual does not select specific assets such as stock, investments are still made through participation in pension plan, and employee saving programme or through purchase of life insurance or a home. In India, many investment avenues are available where some are marketable and liquid while others are non-marketable and some of them are highly risky while others are almost riskless. The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. The Different investment avenues are:

Safe/Low Risk Avenues: Savings Account, Bank Fixed Deposits, Public Provident fund, Government Securities, etc.

Moderate Risk Avenues: Mutual Funds, Life Insurance, Debentures, Bonds.

High Risk Avenues: Equity Share Market, Commodity Market, FOREX Market.

Traditional Avenues: Real Estate, Gold/Silver, Chit Funds.

The individual investor should not always follow the majority. They should try to search about his investments before investing. The investors should focus on safe investment avenues. The people should develop the habit of making investment at any stage of life. Saving money is an old method so the people should invest their money in order to get maximum returns. The investors should have full knowledge of the investment options in order to avoid any loss in future. The investor should be alert what, where, why, when and how to make investment in different investment options.

2. STATEMENT OF THE PROBLEM

In the dynamic and competitive environment, marketing of financial services has become challenging. It is the responsibility of the persons involved in marketing of financial services and other investment avenues to understand the attitudes of the investors in order to be successful in their affairs. Though a variety of investment options are available, majority of them still depend on the banking system to invest their savings using the surplus liquidity on the banking system, banks have steadily reduced the interest payable on deposits. There is a steady decline in interest rates offered by banks in spite of the huge cry raised by retired people and depositors. Hence it would be more useful to study the various other options available for getting better returns on one's hard-earned savings from the organized system. So, in the present study an attempt has been made by the researcher to know, how far investors are aware of the various investment avenues and their attitude towards investments.

3. OBJECTIVES OF THE STUDY

1. To find out the main objective of the investors in Coimbatore District towards making investments.
2. To assess the investors' attitude towards the investment avenues.
3. To offer suggestions for making investments.

4. REVIEW OF PREVIOUS STUDIES

Madhumathi.R (1998) in her study entitled "**Risk Perception of Individual Investors and its Impact on their Investment Decisions**" examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company's performance as a basic factor to take investment decisions. They also depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial positions and social changes. They relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very objective and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.

A survey was conducted by "**Intelligent Investors**" (A Fortnightly magazine) (1998) about the home instincts of investors. The survey was intended to disclose the average Indian's attitude to housing, living space and real estate. Forty Per cent of male category opted for 500-800 square feet spacious house to a family of four members, whereas 50 Per cent of female respondents needed a house of 801-1200 square feet. Sixty Per cent of Chennai based respondents preferred even smaller space (500-800. sq. feet) for a family of four members, 34 Per cent of male and 28 Percent of female respondents expressed their willingness to have a house of their own even before their marriage. But among the total respondents, 34 Per cent wanted their own house after having children. Fifty eight per cent of Calcutta based respondents and 48 Per cent of Chennai based respondents were willing to own a house atleast before their retirement.

An All India Survey titled (1998) "**Household Investors**" Problems, Needs and Attitudes conducted by **The Society of Capital Market Research and Development** revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc, A cross section analysis showed that 79 per cent of investors had low confidence or no confidence in company management, 55 per cent in SEBI, 64 per cent in auditors and 78 per cent in share brokers. The study noticed a significant shift of investors from equity shares to high quality of domestic financial instruments. However, bonds were still far behind shares in terms of market penetration. An important note was that a majority of retail investors were not influenced by credit rating and also expressed their confidence in these agencies.

V.K. Somasundaram(1999) in his research work titled "**A Study on the Savings and Investment Pattern of Salaried Class in Coimbatore District**" made an attempt to analyze the savings and investment pattern of salaried class investors. An in-depth analysis is done to identify the level of awareness, attitude, factors which influence the investors to save and invest, average savings of investors, pattern of savings, conversion of savings into investments, investment preference etc. Questions like why people save and what make them not to invest are also analyzed and interpreted. In this study, the researcher has identified the problems faced by the savers and investors along with their expectations. The pending problems could be solved by taking necessary steps in the right direction. Hence appropriate recommendations have been made to make the investment climate more congenial and attractive to the investing community.

Dr. V. L. Shobhana and J. Jayalakshmi in their study titled “**Investors Awareness and Preferences – A Study**” (2006) has examined the level of investor awareness regarding investment options and investment risks. The analysis revealed that the investment in real estate is preferred by a majority of the respondents. The second most preferred investment is bank deposits. Awareness about investment options and risks are high among aged, highly educated and those who are professionals by occupation. Demographic variables such as age and education do not have significant influence over investor’s awareness whereas difference in occupational status leads to difference in the awareness level of Investors.

Arul Stephan and Dr.V.Darling Selvi (2009) in their article entitled “**Investment Avenues for Senior Citizens**” stated that it is necessary on the part of the elders to find a definite source of income for themselves. The senior citizens have various alternative avenues of investments for their savings in accordance to their preference. A definite idea about investment will provide senior citizens a steady income which helps them in the phase of rising cost in future. Hence, it is the need of the hour for the elders to think and act wisely in their investment decision. As all the investments are not equally good, awareness of various schemes and the privileges of the aged will help them to select the best suitable investment avenue.

P. Neelakantan et.al (2011) in their article entitled “**Impact of Risk analysis in selection of investment avenues- A study on Debt Market Investors**” suggested that investment in Debt Market instruments as become an imperative choice of the investors with the objectives of return optimization. Uncertainty of expected returns is a vital part of the investment option in debt market. Variations in the anticipated returns and actual returns lead to the possible consequences of the decision related to selection of debt market investment vehicle. Risks in debt market instruments are poised of the demands that bring variations in the return of income. Market price and interests play a significant role on the risk associated with the debt markets which are being influenced by the various internal and external considerations. Uncontrollable external risks have a greater impact of the volatility of returns on the investment vehicles and they are of systematic in nature.

5. SAMPLING DESIGN

Coimbatore district is selected for the study and it is divided into rural and urban areas. The rural area comprises of 389 panchayat villages under 12 administrative blocks. The urban area consists of Coimbatore Corporation and four municipalities and 52 town panchayats. For the purpose of the study, 300 investors (150 from rural area and 150 from urban area) have been selected by applying stratified random sampling technique.

6. METHODOLOGY

The research methodology depicts the flow of research process and serves as guidance for the researcher to carry out the research smoothly. It includes the data source, sample size, sampling technique and tools of analysis. The data source can be classified as primary data and secondary data. The primary data is the data obtained by the researcher as first hand information from the sample respondents. In this study, the researcher has used the primary data obtained from 300 respondents selected by applying simple random sampling technique in Coimbatore District. The statistical tools applied for analysis of data include percentage analysis, and Garret ranking technique.

Limitations of the study:

- The results are location specific as the data has been collected from the respondents of Coimbatore District and therefore the conclusions drawn may not be applicable to different socio- economic conditions.
- Few respondents are not willing to express their opinion and views on their investment and have expressed common view on investment practices.

Attitude towards Investment avenues:

The attitude of the investors towards investments avenues has been measured with the help of a scale constructed by the researcher herself. In the study 15 statements has been identified. These statements provide the basis for measuring the attitude of the investors. A five point Likert’s scale has been used for this purpose. The scores allotted to the answers of each statement ranges from one to five. The mean scores of each statement are calculated and Likert’s ranking method has been used to rank the attitude of the investors towards investments.

Mean score values for each statement is calculated. Ranks were assigned to each statement on the basis of mean scores. The statement with the highest score was assigned first rank and the next value was given second rank and the ranks were assigned to the mean scores in the descending order. Thus the least score was assigned to the last rank.

TABLE – 1 ATTITUDE OF THE RESPONDENTS

S. No	Attitude	Total Scores		Mean scores		Rank	
		Rural	Urban	Rural	Urban	Rural	Urban
1	Investing today is for a better tomorrow	670	661	44.67	44.07	I	I
2	Investment offers safety	628	607	41.87	40.47	II	II
3	It is profitable	571	532	38.07	35.47	IV	VI
4	It is Liquid	524	521	34.93	34.73	VII	VII
5	It postpones the joy of today to an uncertain tomorrow	520	487	34.67	32.47	VIII	X
6	It is a tough task but is a must	561	534	37.40	35.60	V	V
7	Investment is an inborn habit of many people	512	505	34.13	33.67	XI	IX
8	Increase in wants reduces the investments	514	539	34.26	35.93	IX	IV
9	Genuine investors are cheated by unscrupulous persons	513	473	34.20	31.53	X	XI
10	Government securities are not attractive	425	435	28.33	29.00	XIV	XII
11	Investment reduces liability	534	514	35.60	34.27	VI	VIII
12	Invest today and smile tomorrow	622	588	41.47	39.20	III	III
13	Never invest money with private parties	484	429	32.27	28.60	XII	XIII
14	Investment is a long term affair	450	422	30.00	28.13	XIII	XIV
15	Investor is guided by credit rating agencies	377	360	25.13	24.00	XV	XV

Source: Primary Data

It is evident from the above table that among the variables selected to measure the attitude, both the rural and urban respondents provided first rank to the factor investing today is for a better tomorrow because it has secured highest score of 44.67 and 44.07 followed by investment offers safety, secured second rank with a mean score of 41.87 and 40.47, invest today and smile tomorrow ranked third with a mean score of 41.47 and 39.20. It could be seen that, investment is a long term affair, government securities are not attractive and investor is guided by credit rating agencies secured the least mean scores.

The result clearly indicated that the variable, “Investing today is for a better tomorrow” has secured the highest mean score and it is the important variable which encourages the respondents to save and invest.

7. SUGGESTIONS

- The advertisements in T.V. and print media for various investments avenues are not adequate, as majority of the respondents are aware of the various schemes only through friends and relatives. A door- to – door campaign, organizing debates and competitions, periodical meetings are highly essential to promote the savings habit.
- Majority of the respondents have not preferred to invest their savings in UTI and mutual funds which are the latest investment schemes and hence the government should take steps to persuade the investors to invest in these schemes.
- The central and the state government should spread saving and investment habits among the public by making safety mechanism. Only with the prevalence of a healthy atmosphere, individual investors will be inclined to deploy their funds on a continuous basis in various types of financial instruments of government.
- Educating the investor is the need of the hour. Though a number of institutions offer investor education, it is not sufficient, continuous awareness programme should be conducted. Financial institutions with the help of social

organizations like Rotary club, Lions club and Banking companies may individually or jointly take part in educating investors. The participation of these institutions in the line would be a greater social cause and ultimately the country's resources will be diverted in the right way.

- The success of any business depends upon the satisfaction of the customer. In order to retain the existing investors, the financial institutions should offer satisfied returns to their investors and various schemes should be introduced to attract the new investors.
- **Grama sabha** type of organizations should be developed for promoting the savings and the awareness on various investment schemes among the rural investors.
- Efforts should be made by the financial institutions to influence the customers to view the investments as a complete security and family protection rather than a tax saving instrument.
- Savings is the need of the hour in today's world. Co-operation of family members will help the investors to increase their savings, which reduces deficit budgets and helps the investor to face future challenges.
- More transparency about the institution and their performance would help the investors to channelize their investments safely.
- A wide network is essential to enrich the savings and investment behaviour among the investors. The networks are developed according to the need of the people. The success of the network system rests on the attention given to the service of the institutions in the money and capital market.
- The investing public as a whole cultivates the habit of reading and watching information relating to investments. General awareness about the investment avenues are not sufficient to them, they should try to understand the pros and cons of all investment avenues in particular, this helps them to earn maximum returns on their investments with minimum risk.
- Investors should adopt a diversified and liquidity oriented approach while constructing and managing the portfolio for investment under present economic scenario.
- As women investors are more preferred to invest in gold and silver, to divert them in other investment avenues, different returns should be offered by the government and financial institutions.

8. CONCLUSION

Indians are traditionally known for their orientation towards savings and preference for safe investments. Post independent India has been continuously witnessing higher rates of savings. The increase is more pronounced during the recent years. On the investment side, many new instruments have been introduced during the last two decades to attract the public. The advertisements for various investment schemes are not adequate, as majority of the respondents are aware of the various schemes only through parents, friends and relatives. Therefore, it is recommended to various financial institutions to adopt a broad advertising strategy in order to enable the investors to know the various investment schemes.

Though various new avenues are introduced for investment purposes, investors in rural and urban area still prefer bank deposits. The major reason for selecting this investment is owing to safety and security. Only a few investors preferred the investment on public issues but they are not aware of the market value of their holdings. A planned marketing approach, covering customer awareness, offering better value with a high and constant return to the investors and every effort may be made to draw the rural sector into the mainstream of national economic development. A constant effort is essential to promote the savings and investments behaviour at both rural and urban investors to enrich the total economy.

The results of the study indicate that the investors prefer to invest only in safer avenues. Further analysis of the data indicates that the family culture plays a dominant role in investments decisions. Among the conventional investment avenues, bank deposits and gold are the most preferred avenues, while insurance schemes and post office instruments are getting increased attention. Majority of the respondents have not preferred to invest their savings in UTI and Mutual funds which are the latest investment schemes and hence the government should take appropriate steps to persuade the investors to invest in the above schemes.

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