



AN ASSESSMENT OF AWARENESS ON INVESTMENT AVENUES AMONG THE MIDDLE CLASS INVESTORS IN KERALA

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Abstract

The Government of India has introduced several investment avenues especially meant for middle and lower class people. For the middle class, there are two options available for investment. They are capital market investments and non-capital market investments. Capital market investment includes shares, debentures, mutual funds, UTI units, Exchange Traded Funds, derivatives etc. Bank deposits, Treasury deposit schemes, chit funds of public and sector institutions, life insurance policies and post office savings schemes are the major investment available for middle class investors. However, most of the middle class in the State prefer to invest in non-capital market investment avenues. Insufficient knowledge on all the terms and conditions of various capital market avenues may be one of the reasons for this situation. In this paper an attempt has been made to examine the awareness of the non-capital market investors about the various capital and non - market investment avenues. The present paper attempts to fulfill this. In order to examine the awareness of investors, a total of 261 middle class non capital market investors have been selected from the three sample districts of Calicut, Ernakulam and Trivandrum. The analysis has been done with the help of suitable mathematical and statistical tools like averages, percentages and chi square test.

Keywords: *Capital and Non-Market Investment, Middle Class Investors, Investment Avenues.*

1. Introduction

The economic growth of any country depends on the capital formation, which in turn depends on the promotion of savings and investment. The savings and thrift habits play a key role in the volume of investment. Savings and investments are mainly promoted by capital market. Major factors which influence savings are the rate of growth of income and its distribution. The financial intermediaries like banks, post offices, LIC, UTI etc. play a predominant role in shifting the savings in the form of investment in physical assets to investment in financial assets, thereby bringing the resources from unproductive activities to more productive activities. Individual investors, particularly the middle class, constitute the back bone of Indian financial market. Their active involvement in the financial market helps to mobilize sufficient funds required for developmental activities and brings liquidity to financial system. This necessitates ensuring confidence in the minds of middle class investors in various investment avenues. The ultimate goal of an investor is attaining maximum return with minimum risk.

2. The Research Problem

Even though there are various investment avenues for the middle class investors, the selection of the most remunerative one is a serious issue. Features of each alternative differ. While some are simple, others are complex. Some guarantee fixed return while others yield varying returns. Some involves high risk while others are safe. Hence, the selection of a particular investment option is conditioned on several aspects. Individual investors, especially the middle class, experience a number of difficulties in investing their hard earned money. The lack of awareness about the details of different investment alternatives, even among educated class, is still a major impediment. Further, widespread geographical distribution and unorganized nature have led to extensive exploitation of investing community in both the capital and non-capital market segments. At this juncture, it is quite relevant to examine the awareness of the noncapital market investors about the various capital and non-market investment avenues. The present paper is a humble attempt in this direction.

3. Objective of the Paper

The objective of the present paper is to examine the awareness of the noncapital market investors about the various capital and non-market investment avenues.

4. Hypothesis

Based on the above stated objective, it is hypothesized that urban and rural non-capital market investors do differ significantly in terms of their awareness on capital market avenues.

5. Methodology and Data Base

This is an empirical and descriptive research based on survey method. Data have been collected both from primary and secondary sources. The primary data have been collected from 261 middle class non-capital market investors selected from the three sample districts of Calicut, Ernakulam and Trivandrum by employing the convenient sampling method. While selecting the investors from non-capital market, special care has been exercised to include both rural and urban investors. Special care has been taken to ensure that at least a minimum sample size of 90 non-capital market investors (60 from urban and 30 from rural) in each of the five avenues selected for the investigation viz., Bank Fixed Deposit, Treasury Fixed Deposit, KSFE Chits, Postal Recurring Deposit and Gold. The primary data from the selected investors have been collected with the help of a pre tested interview schedule. The data collected were classified, coded and analyzed with the help of computer by employing mathematical and statistical tools like averages, percentages, standard deviation and chi square test.

The secondary data have been collected from published and unpublished reports of Directorate of Economics and Statistics, Govt. of Kerala; Publications of Kerala State Planning Board; Periodicals and journals dealing with the subject; Books on the related area and Published and unpublished Research Dissertations in the field.

6. Method of Analysis and the Variables Used for the Analysis

During the primary survey among sample investors it is found that the profile of the investor has significant influence on their awareness on various investment avenues and their investment behaviour. Therefore, an attempt has been made to analyze the relationship between awareness and profile of the investors. The following variables were used for the analysis.

1. Awareness of non-capital market investors on various capital market investment avenues
2. Awareness on capital market investment avenues and its relationship with location.
3. Awareness on capital market investment avenues and its relationship with the gender
4. Awareness on capital market investment avenues and its relationship with the educational qualification.
5. Awareness on capital market investment avenues and its relationship with the occupational status.
6. Awareness on capital market investment avenues and its relationship with the income of the investor

7. Results and Discussion

The results of the analysis based on the above mentioned variables are discussed below.

7.1. Awareness of Non-Capital Market Investors on Various Capital Market Investment Avenues

The response of the selected non-capital market investors about their awareness on various investment avenues in the capital market is presented in table 1.

Table 1 Awareness on Capital Market Investment Avenues

Investment avenue	Total	Per cent
Equity shares	66	25.3
Bonds/debentures	13	5
UTI Schemes	44	16.9
Other mutual fund schemes	44	16.9
Fixed deposit with companies	9	3.4
Exchange traded funds	31	11.9
Options/futures	30	11.5
Total number of respondents	261*	100

Source: Primary Data. *Total number of respondents need not be the column total.

From the Table 1 it is clear that the level of awareness about various capital market investment avenues is very low among the sample non-capital market investors. Investment in shares is the most known capital market investment option for non-capital market investors. That too, is only 25.3% of sample investors. This shows that three fourth of the investing class is still unaware of share market investment option. After share market investment, the next best known investment options are UTI (16.9%) and other Mutual Fund schemes (16.9%). The percentage share of investors who are aware of Exchange Traded Funds and derivate instruments is also low and is only 11.9% and 11.5% respectively among the non-capital market investors. It is also found that only 5 per cent of the sample customers are aware of investment in bonds. Likewise, the level of awareness is very low with respect to FD with companies (3.4%).

7.2. Awareness on Capital Market Investment Avenues and its Relationship with Location

The relationship between awareness of non-capital market investors about various capital market investment avenues and its relationship with location of the investors is presented in Table 2.

Table 2. Location Wise Classification of Sample Non Capital Market Investors Showing their Awareness on Various Capital Market Avenues (in Percentages)

Instruments	Location		Total	Chi square (significance level in brackets)
	Rural	Urban		
Equity shares	11.1	36.8	25.3	22.557(.000)
Bonds/debentures	2.6	6.9	5	2.167(.106)
UTI Schemes	5.1	26.4	16.9	20.818(.000)
Other mutual fund schemes	4.3	27.1	16.9	23.962(.000)
Fixed deposit with companies	3.4	3.5	3.4	.001(.981)
Exchange traded funds	3.4	18.8	11.9	14.496(.000)
Options/futures	3.4	18.1	11.5	13.594(.000)
Total number of respondents	117	144	261	

Source: Primary Data

As depicted in Table 2, Urban and rural classification of sample investors shows that out of the seven investment options analyzed, statistically significant difference is witnessed in the case of five options (Chi-square test) with regard to their level of awareness in different instruments. The percentage share of awareness among the urban sample investors is found more in all the different investment options in capital market.

Rural class who are aware of share market investment is (11.1%) less than one third of urban class (36.8). In the case of Mutual Fund and UTI schemes, Exchange Traded Funds, Derivative instruments etc., the difference in awareness is more. When only 3.4% of rural class is aware of ETFs and Options and Futures, the respective percentage share of urban class in this respect is 18.8 and 18.1 respectively. The only avenue where urban and rural class does not differ in their awareness is fixed deposit with companies. In this case, the percentage share of unawareness is 96.5 and 96.6 respectively among the urban and rural investors.

7.3. Awareness on Capital Market Investment Avenues and its Relationship With the Gender of the Investor

Table 3, Gender wise Classification of Sample Non-Capital Market investors showing their Awareness on Various Capital Market Avenues (in Percentages)

Instruments	Gender		Total(261)	Chi square (significance level in brackets)
	Male(167)	Female (94)		
Equity shares	34.1	9.6	25.3	19.198(.000)
Bonds/debentures	6.6	2.1	5	02.527(.112)
UTI Schemes	24	4.3	16.9	16.648(.000)
Other mutual fund	24	4.3	16.9	16.648(.000)

schemes				
Fixed deposit with companies	4.2	2.1	3.4	.770(.380)
Exchange traded funds	16.2	4.3	11.9	8.154(.004)
Options/futures	15.6	4.3	11.5	7.567(.004)

Source: Primary Data

The gender wise analysis of awareness of various capital market investment avenues shows that male investors are more aware of different capital market investment avenues than their counterparts. It is found that 34.1 per cent of male investors are aware of share market, whereas only 9.6 per cent female respondents are aware of this avenue. In the case of bonds and fixed deposit with companies, the percentage of female investors who are aware is only 2.1. Further, it is seen that only 4.3 per cent of the sample female investors are aware of investment avenues like UTI schemes, Mutual Funds, ETFs and Options and Futures.

Except in the case of Investment Avenue of bonds/debentures, statistically significant difference is witnessed between male and female investors in respect of their awareness on other investment options.

7.4. Awareness on capital market investment avenues and its relationship with the educational qualification of the investor

Table 4, Education Wise Classification of Sample Investors Showing their Awareness on Non-Capital Market Investors in Various Capital Market Instruments (In Percentages)

Instruments	Educational qualification			Total (261)	Chi square (significance level in brackets)
	PDC or lower (122)	Degree/ Diploma (101)	PG or higher (38)		
Equity shares	18.9	19.8	60.5	25.3	29.259 (.000)
Bonds/debentures	2.5	5.9	10.5	5	04.305 (.116)
UTI Schemes	16.4	10.9	34.2	16.9	10.748 (.005)
Other mutual fund schemes	16.4	11.9	31.6	16.9	07.679 (.022)
Fixed deposit with companies	2.5	4	5.3	3.4	00.814 (.666)
Exchange traded funds	12.3	7.9	21.1	11.9	4.587 (.101)
Options/futures	13.1	6.9	18.4	11.5	4.175 (.124)

Source: Primary Data.

An analysis awareness of capital market investment avenues on the basis of education shows that in the case of equity shares, the awareness is positively related with their qualifications. Higher the educational qualification, higher is the awareness of share market investment avenues. It is seen that 60.5 per cent of Post Graduates know about share market investment option. Only 18.9 per cent of higher secondary or lower educated and 19.8 per cent of graduates know anything about shares.

Post Graduates enjoyed dominance in the case of awareness on all the seven capital market avenues analysed. Equity shares found to be the highest in terms of awareness among post graduates (60.5) followed by UTI schemes (34.2), other mutual fund schemes (31.6) and exchange traded funds (21.1).

But as far as degree/diploma holders are concerned, the percentage of awareness is found less when compared to the investors of higher secondary or lower educated group in UTI or other mutual fund schemes, exchange traded funds and derivatives. This difference is found statistically significant in the awareness on shares, UTI schemes and other mutual fund schemes.

7.5. Awareness on Capital Market Investment Avenues and its Relationship With the Occupational Status of the Investor

Table 5, Occupation Wise Classification of Sample Investors Showing their Awareness on Various Capital Market Instruments (in Percentages)

Instruments	Profession			Total (261)	Chi square (significance level in brackets)
	Salaried (72)	Self-employed (110)	Retired (79)		
Equity shares	5.6	42.7	19	25.3	34.206(.000)
Bonds/debentures	0	11.8	0	5	18.781(.000)
UTI Schemes	0	36.4	5.1	16.9	52.299(.000)
Other mutual fund schemes	0	39.1	1.3	16.9	67.095(.000)
FD with companies	0	7.3	1.3	3.4	8.534(.014)
ETFs	0	28.2	0	11.9	48.29(.000)
Options/futures	0	27.3	0	11.5	46.53(.000)

Source: Primary Data

The awareness of non-capital market investors in various capital market instruments has been analysed based on profession. From the analysis it is found that there exists significant difference between the awareness on various securities and their occupational status in the case of salaried, self-employed and retired class of investors. Awareness level of salaried class and retired class very found to be low-almost nil in some cases-regarding various capital market investment avenues. When 42.7% of self-employed and 19% of retired class were aware of equity shares only 5.6 percent of salaried class was aware of equity share investment. Salaried class was totally unaware of other investment avenues in capital market.

Retired class also, is not aware of investment in bonds, exchange traded funds and derivative instruments like options/futures. Retired class' awareness on mutual funds and fixed deposit with companies is also found low as 1.3%. Difference in awareness was statistically proven in all the instruments.

7.6. Awareness on Capital Market Investment Avenues and its Relationship With the income of the Investor

Table 6 Income-Wise Classification of Sample Investors Showing their Awareness on Various Capital Market Instruments (In Percentages)

Instruments	Income			Total (261)	Chi square (significance level in brackets)
	Lower middle class (145)	Middle middle-class (76)	Upper middle class (40)		
Equity shares	10.3	30.3	70	25.3	60.46(.000)
Bonds/debentures	0.7	1.3	27.5	5	50.659(.000)
UTI Schemes	4.8	17.1	60	16.9	68.092(.000)
Other mutual fund schemes	5.5	14.5	62.5	16.9	73064(.000)
FD with companies	0.7	1.3	17.5	3.4	28.075(.000)
ETF	2.8	10.5	47.5	11.9	60.148(.000)
Options/futures	2.8	13.2	40	11.5	43.034(.000)

Source: Primary Data.

The analysis on the awareness of non-capital market investors about the various capital market instruments revealed that the upper middle class are more aware on these compared to lower and middle middle-class investors. It is found that 70 per cent of the upper middle class are aware of share market investment, while only 10.3 per cent of lower middle class and 30.3 percentage of middle middle-class are aware of investment in shares. This proves that higher the income at disposal better is awareness on options available for investing. For upper

middle class, share is the most aware instrument (70%) followed by Mutual Funds (62.5%) and UTI schemes (60%). As far as upper middle class is concerned, fixed deposit with companies is the avenue with least awareness. The difference in awareness is statistically significant at 5 per cent confidence level.

8. Conclusion and Suggestions

In order to test the hypothesis namely urban and rural non-capital market investors do differ significantly in terms of their awareness on capital market avenues, the response of the non-capital market investors about their awareness on seven different types of capital market investment avenues has been analysed. The analysis shows that out of the seven avenues analysed, in the case of five avenues viz., equity shares, UTI schemes, other mutual funds, exchange traded fund and options and futures, there is significant difference between the rural and urban investors. The application of statistical test (Chi-square) confirms this. Therefore, it is clear that urban and rural investors do differ significantly in terms of their awareness on different capital market avenues. Hence the hypothesis is accepted.

The profile wise analysis (gender) of awareness of various capital market investment avenues showed that male investors are more aware than female investors. The education wise classification shows that the investors with higher educational qualification are more aware on various investment avenues compared to the investors with lower level education. The self-employed category investors (including businessmen, professionals and entrepreneurs) are more aware compared to retired and salaried employees. Similarly, the awareness is more among the upper middle class than that of lower and middle middle-class.

Thus it is clear that among the non-capital market investors, the awareness on various capital market avenues is found less. Hence the following suggestions are offered to improve the present situation. It is highly inevitable to introduce an innovative education programme to impart knowledge on various aspects of different investment avenues among the present and prospective investors. Steps may be taken by the curriculum designers to incorporate the area of different investment avenues and instruments in the high school syllabus. This will inculcate an investment awareness and culture from the childhood itself. The local authorities can play a positive role in increasing the awareness level of the public about various investment avenues and financial products and services. In association with SEBI, stock exchanges and broking firms, the local authorities may organise various awareness classes according to the convenience of the public at frequent intervals under their jurisdiction.

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