

A STUDY ON INVESTMENT BEHAVIOR OF RETAIL INVESTORS TOWARDS DIFFERENT INVESTMENT AVENUES WITH SPECIAL REFERENCE TO CUTTACK CITY, ODISHA

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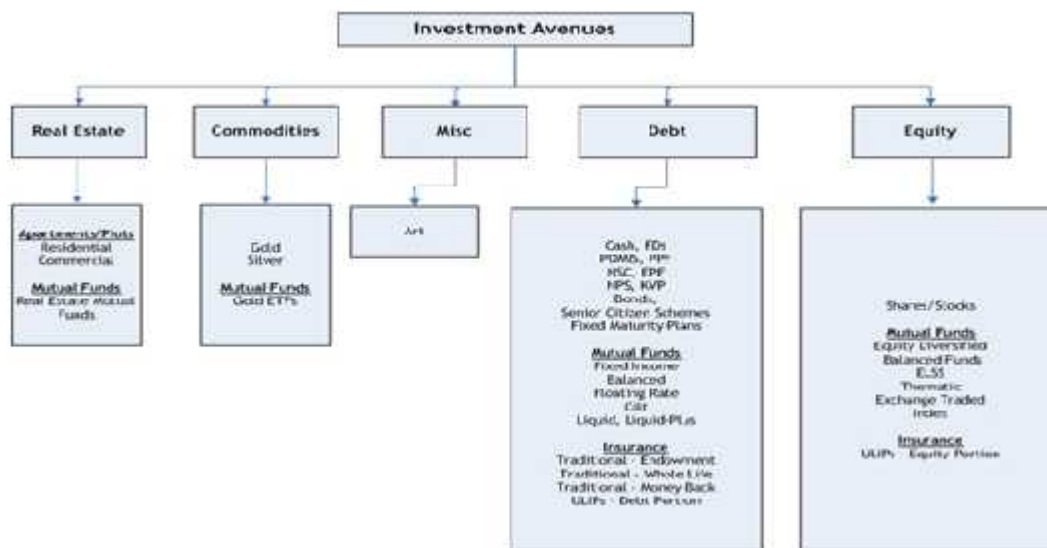
Abstract

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Every individual saved from current consumption for the benefits of future requirements, but they do not know where, when and how to invest it, for that a proper understanding of money, its value, the available avenues for investment, various financial institutions providing the facility of investments, the rate of return/risk etc should be properly evaluated. The study basically focuses on the various investment avenues available to the investor and the factors considered for investment. 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. "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. . Primary data is collected from a sample of 100 investors of Cuttack City; odisha. This study also attempts to find out the factors influencing the investment behavior of individual investors.

Keywords: *Investment Avenues, Risk and Return, Awareness, Savings, Investor.*

Introduction

The economic development of any country depends upon the existence of well organized financial system. The financial system is a broader term which brings under its fold the financial markets and the financial institutions which support the system. The systems responsibility is to mobilized the savings in the form of money and monetary assets and invest them to productive ventures. It promotes investments and savings which help faster economic development of the country. In the modern financial system there are so many investment avenues to choose from today in financial market and it has become difficult for anyone to decide about these avenues. Some of these investment avenues offer attractive returns but with high risks and some offer lower returns with very low risks. An overall analysis of these investment avenues with risk and return trade is presented in this article. These investment avenues are:



Equity: Equity is an investment avenue which is able to offer the highest possible returns but is very risky as there are huge probabilities of investors even losing some part of the invested capital too. This can offer returns in range of 15- 50% annually in good times and negative returns of 5-15% also.

Mutual Funds: Mutual funds offer moderate returns but are less risky compared to equity investments. They can offer a return between 12-30% annually in good times. May be even higher in good times and negative returns of 5-10% annually.



Bonds: These have very less risks so offers lower returns. The return from bonds ranges between 7-10% annually.

Commodities: These investments are made in commodities such as rice, wheat, metals. This is very tricky investment. Return from these investments varies between 10-35%. One should be able to understand the weather, crop cycle and market dynamics.

Bullion: Bullion are part of commodities. One can invest in gold, silver and platinum. These fetch high returns but are also very volatile.

Futures & Option: These investments can offer 5-10% return even in a day. This market is also very tricky.

Real Estate: One can also invest in real estate. This investment offers attractive return. But the price fluctuation in bad times very high. And one needs lakhs of rupees to get started in this market.

Govt. and RBI Bonds: These offer fix rate of return over period of time.

Company Bonds: These are same as govt. bonds. Only difference is that these are more risky.

Post Office Investments: These are the risk free investments. And offer lower return.

Insurance: Insurance have become one of the most important investment avenues in India. Unit Linked Insurance Plans are very popular in India besides the traditional endowment policies.

Provident Funds: This one of the safest long term investment option. This is mainly for retirement purpose.

There are so many other options available such as carbon trading, currency trading, power trading and so many. One should choose investment avenues according to her/his financial goal and knowledge about the financial instruments.

Objectives of the Study

- To understand the investor's perception on various investment alternatives.
- To understand the awareness level of the people on various investment opportunities
- To study the factors influencing the investors to invest in various investment alternatives

Review of Literature

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.

Srivastava S & Saxena G (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.

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.

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.

The study conducted by **SCMRD for Ministry of Company affairs (2004)** found that majority of the retail investors do not regard mutual fund equity schemes as a superior investment compared to direct equity. Kent (1998) developed a theory of securities market under- and overreactions based on two well-known psychological biases: investor overconfidence about the precision of private information; and biased self-attribution, which causes asymmetric shifts in investors' confidence as a function of their investment outcomes. SEBI (1998) survey revealed that Risk appetite, investment objective of the investor, income of the investor, funds available for investment, greatly influences the behavior of the investor in corporate securities at various levels.

S. Saravana Kumar (2010) in his article "An Analysis of Investor Preference towards Equity and Derivatives" published in The Indian journal of commerce, July-September 2010 concluded that the most of the investor are aware of high risk involved in the derivative market. To reduce the risk in the market, the investors should strictly follow the stop loss method. The study reveals that most of the investor prefers cash market where the script can be held for long term and the risk is less and it is transferable to others with minimal time period. Even though risk is higher, some investors prefer derivative market where return is also higher. The investors are suggested that before going for investment proper study about the script is essential. The study has highlighted a few suggestions for removing constrain in the crucial variables which directly affect the investor and company. The investors are highly satisfied with equity shares because of many reasons, i.e., liquidity, low investment, capital appreciation etc.

R. Kasilingam and G. Jayabal (2009) in their article "Alternative Investment Option to Small Investors" published in SOUTHERN ECONOMIST, Sep. 1, 2009 concluded that if the savings of the individuals are not channelized in a proper manner, then it may find its way into unproductive channels such as investment in gold or it may lead to unscrupulous rise in the consumption pattern, both of which are not good for the economy. It is a known fact that post office savings schemes are attractive tax saving investment schemes to the salaried class investors. It is also a suitable investment option to the small and medium investors because it satisfies all the criteria required by Indian investors. The fund invested in small savings schemes will yield good results not only individual investors but also to the nation. Small savings schemes are designed to provide safe & attractive option to the public and at the same time to mobilize resources for development of the nation. As the government is giving attractive return mainly to the small investors the institutions and NRIs are prohibited from investing in small saving schemes. During recession small savings will be an ideal alternative investment because it produces stable and risk free return.

A study on Investment behavior of working women of Punjab was conducted by **Dr. Sarita bahl**. The purpose of the analysis was to study the investor behavior & investor preference. The objectives of the study were to study the investment behavior among the working women in Punjab & to know the level of agreement of working women of Punjab on various aspects of investment planning. The study reveals that 33 % of the women have a well developed plan for investment. It also infer that 48 % of the working women think that one should start to invest whenever they find a new job or occupation. 18 % of the working women have invested in share and stocks.

A study on saving pattern and investment preferences of individual household in India was conducted by **Meenakshi Chaturvedi And Shruti Khare**. The objectives of the study were to study the saving pattern of the individual household in India, to analyze the Investment preferences of individual household in India, to study relation of saving pattern and investment preferences to social, economic, educational and occupational background of the individual household & to give suggestions for evolving better investor awareness and educational programs. It is concluded from the study that Majority of the respondent (79.6%) stated that they had a high degree of awareness about bank deposits as investment avenues. It is found from the study that level and extent of awareness varies with the level of income.

Research Methodology

The research is analytical and the tool used for data collection is Structured Questionnaire.

Primary Data- A questionnaire was prepared and the primary data was collected through survey method.

Secondary Data- Internet is used for finding research papers and research papers used for literature review.

Sample Size- The population being large, the survey was carried among 100 respondents residing in Cuttack city, odisha.

Data Analysis

Table 1: Profile of Sample Customers

| Profile | No. of Respondents | % to Total | Profile | No. of Respondents | % to Total |
|-----------------------|--------------------|------------|-------------------|--------------------|------------|
| Location | | | Age | | |
| Rural | 09 | 10.00 | Upto25 | 18 | 26.67 |
| Semi-urban | 20 | 18.33 | 26-40 | 48 | 53.33 |
| Urban | 71 | 71.67 | Above40 | 34 | 20.00 |
| Sex | | | Occupation | | |
| Male | 76 | 69.17 | Student | 08 | 15.00 |
| Female | 24 | 30.83 | Housewife | 10 | 10.00 |
| Education | | | Govt. Employee | 31 | 36.67 |
| Secondary | 11 | 20.83 | Private Employee | 24 | 22.50 |
| Degree | 52 | 59.17 | Business/Self | 27 | 15.83 |
| Above Degree | 37 | 20.00 | Income Tax | | |
| Monthly Income | | | Assessee | 61 | 55.83 |
| UptoRs.10000 | 21 | 29.17 | Non- assessee | 39 | 44.17 |
| Rs.10001- | 58 | 60.83 | | | |
| >Rs.25000 | 21 | 10.00 | | | |

Experience in Investment

| Time Period | % to Total Respondent |
|-------------|-----------------------|
| Below 2yrs | 9 |
| 2yrs-5yrs | 25 |
| 5yrs-10yrs | 31 |
| 10yrs-15yrs | 21 |
| Above 15yrs | 14 |
| Total | 100 |

From the above table it can be stated that 31% of the respondents having 5 to 7 yrs of experience in the field of investment where as 9% of the respondents having the lowest experience of less than 2 years

People Prefer to Invest their Funds in the Following Investment Avenues

| Rank | Bank / Post Deposits | Insurance Schemes | Share Market/Mutual Fund | Real Estate | Bullions/Ornaments |
|------|----------------------|-------------------|--------------------------|-------------|--------------------|
| 1 | 40% | 25 % | 08% | 16% | 11% |
| 2 | 27% | 31% | 10% | 14% | 18% |
| 3 | 16% | 21% | 14% | 34% | 15% |
| 4 | 12% | 14% | 17% | 21% | 36% |
| 5 | 05% | 09% | 51% | 15% | 20% |

From the above table it is stated that 40% of the respondents gives the highest priority to bank/post deposits,25% gives the highest priority to insurance schemes,16% gives the highest priority to real estate,11% gives preference to bullions/ornaments and the lowest 5% of the respondents makes investment in share market.

How Frequently Will You Monitor Your Investments?

| Frequency | % to Total Respondent |
|-------------|-----------------------|
| Daily | 9 |
| Monthly | 35 |
| Quarterly | 31 |
| Bi-Annually | 15 |
| Annually | 10 |

Among the respondents 35% of them would like to monitor their investment monthly basis followed by 31% of them quarterly, 15% of them bi-annually, 10% of them annually and 9% of them would monitor their investment daily.

Sources of Investment

| Sources | % to Total Respondent |
|-------------------------------|-----------------------|
| Savings | 48 |
| Inherited Amount | 20 |
| Margin Financing | 05 |
| Money Extracted from Business | 15 |
| Personal Borrowing | 12 |
| Total | 100 |

Among the respondents 48% makes the investment from their own savings whereas 20% from their inherited amount followed by 15% from the money extracted from business, 12% from personal borrowings and 5% through margin financing.

Objectives of Investment

| Objectives | % to Total Respondent |
|---------------------------|-----------------------|
| Wealth creation | 18 |
| Education | 22 |
| tangible dreams | 19 |
| Planning for retirement | 15 |
| Others(marriage, tourism) | 04 |
| Future uncertain needs | 22 |
| Total | 100 |

Among the respondent the reason for making investment is basically to secure their future uncertain needs (22%) and for their children education (22%) followed by tangible dreams (19%), wealth creation (18%), and retirement plans (15%).

Preferred Basis of Investment

| Basis | % to Total Respondent |
|--------------------------|-----------------------|
| Valid Self analysis | 30 |
| Financial consultants | 28 |
| Brokers advise | 26 |
| Friends/relatives advise | 10 |
| Chartered accountant | 06 |
| Total | 100 |

Majority of the investors prefers to move with their own analysis followed by the financial consultants (28%), brokers advise (26%), friends and relatives advise (10%) and chartered accountant (06%).

Preferred Source of Study

| Source | No of Respondent |
|--------------------|------------------|
| Business channels | 18 |
| Business papers | 18 |
| Business magazines | 18 |
| Internet | 36 |
| Self Study | 10 |
| Others | 100 |

Majority of the investors use internet (36%) as the preferred source of study followed by business channels (18%), business magazines (18%), business papers (18%) and self study (10%)

The Investment Option which has Less Risk

| Investment Option | % to Total |
|-------------------|------------|
| Bank deposits | 35 |
| Postal savings | 30 |
| Insurance | 10 |

| | |
|--------------|----|
| Real-estate | 3 |
| Share market | 7 |
| Mutual fund | 15 |

As per the opinion of the respondents the investment option which is less risky is bank deposits(35%) followed by postal savings(30%) mutual fund(15%), insurance(10%), share market(7%), and real-estate(3%).

The Investment Option which Gives More Returns

| Investment Option | % to Total |
|-------------------|------------|
| Share market | 38 |
| Bank deposits | 7 |
| Real-estate | 28 |
| Insurance | 15 |
| Mutual fund | 8 |
| postal savings | 4 |

According to the investors the investment option which gives more return is investment in share market(38%) followed by real estate(28%), insurance(15%) mutual fund(8%), bank deposits(7%), postal savings(4%).

Conclusion

The study on preferred investment choices has been undertaken with the objective, to analyze the investment choice of people in few localities in Cuttack city. 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. 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.

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