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INVESTOR BEHAVIOR TOWARDS VARIOUS INVESTMENT AVENUES IN RURAL AREAS -A STUDY

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Abstract

Indian financial system is composed of organized and un-organized sectors. Financial markets are providing various investment avenues to choose. Some of these investment avenues offer attractive returns but with high risks, some propose lower returns with very low risks. Investors vary in their perception of the investment avenues.

Investor Perception varies with the awareness, attitude, preference of investment, factors which contribute to investment and risk preference of the investor. More over there is a distinction between the perceptions of investors residing in urban areas and the perceptions of investors residing in rural areas. India is pre-dominantly a rural country with two third of population residing in rural areas. Rural economy constitutes 46 per cent of national income. Despite the rise of urbanisation more than half of India's population is estimated to be rural by 2050 (SEBI Survey 2015).The growth and development of rural economy are key parameters to overall growth and inclusive development of the country. The present study focuses on investor perception regarding financial investment avenues in rural areas.

Introduction

Investment Avenue means a particular organization or system in which an investor can place his surplus funds with the objectives of having certain gains in the future. This organization may be well organized like a bank, financial institution, mutual funds and company or in an unorganized manner like chit fund organization, Nidhis (a type of non-banking finance company) or Curry (a type of non-banking finance company in southern India). Investment avenues of a country are subject to different rules and regulations of either the government or some apex body like Reserve Bank of India, National Bank for Agriculture and Rural Development (NABARD) and Securities Exchange Board of India (SEBI).

Following are the features of investment avenues.

1. Security vs. Non-security form
2. Fixed or floating return
3. Investment accepting organization might have an obligation or not
4. Negotiable vs. Non-negotiable
5. Risk is the inherent part of every avenue
6. May be in an organized form or unorganized form
7. Regulation
8. Market oriented

- **Investment avenues available in India**
  After having view on features of investment avenues now various investment avenues available in India are listed below:

1. Shares
2. Debentures/Bonds
3. Stock Futures and Options
4. Mutual Funds
5. National Saving Certificate/ Public Provident Fund/ Provident Fund
6. Fixed Deposits
7. Post office savings
8. Insurance Polices
9. Chit funds
10. Gold
11. Real assets (Purchase of Land)

Research Methodology

a) Sampling and Sample size

A sample size of 96 house hold respondents residing in different rural areas of Warangal district of Telangana State were chosen on the basis of purposive stratified sampling method the study.

b) Research Instrument

A well structured questionnaire was developed for conducting the study.

c) Data collection method

Data was collected by using personal interview method and telephonic interview method.

d) Data Analysis

Data was analyzed by using SPSS package. Factor analysis was conducted to study which source of information is considered as most important while choosing the investment alternative by the investors.

Objectives of the study

1. To study socio economic profile of respondents.
2. To study factors influencing investment choice of the investors

Demographic profile of sample respondents is presented in Table 1 below

Table 1,Socio economic profile of sample respondents

Variables	Responses	Number of respondents	Percentage
Age			
	20-40	29	30
	40-50	38	40
	Above 50	29	30
	TOTAL	96	100
Gender			
	Male	49	50.5
	Female	47	49.5

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	TOTAL	96	100
Marital Status			
	Married	67	70
	Un Married	29	30.3
	TOTAL	96	100.0
Occupation			
	Business	37	40
	Agriculture and Allied activities	43	42
	Salaried employee	12	12
	others	4	6
	TOTAL	96	100.0

Source : Data analysis

Interpretations

Socio –economic profile of sample respondents was depicted in Table 1. If we observe Age-wise classification of the sample respondents it could be clearly seen that a high proportion of 40% of sample respondents were of age group 40-50.It may be due to future planning necessity, high propensity to save for middle age investors. Gender – wise classification of the respondents depicts that 50.5 % were male respondents and 49.5% were female respondents. The responses were collected purposively to have an equality of responses from both the genders vis-a-vis male and female respondents. It is interesting to find that 70 % of sample respondents were married. It can be understood that respondents who were married were more inclined towards investment behaviour; this may be due to responsibility after marriage. The sample respondents profile on the basis of occupation projects that in rural areas most of the people occupation is Agriculture and allied activities or business as their profession. Very low 12 percent were salaried class employees.

e) Factor analysis

Factor analysis is data reduction tool. It is widely used tool for investigating variable relationships for complex concepts including behavioral patterns.

The present work used principal component analysis. The criteria for factor analysis is Eigen Values of greater than 1.0and factor loading of 0.5 were considered in this study. Kaisr (1974) Pointed out KMO measure sampling adequacy which is greater than 0.5 as acceptable.

Factor Analysis with varimax rotation method has been performed on all 75 statements in the study. Communalities Matrx is shown in Table 2.

Table 2,Communalities		
	Initial	**Extraction**
AI1	**1.000**	**.853**
AI2	**1.000**	**.717**
AI3	**1.000**	**.816**
AI4	**1.000**	**.717**
MI1	**1.000**	**.774**

MI2	**1.000**	**.811**
MI3	**1.000**	**.836**
PEER	**1.000**	**.880**
REXP	**1.000**	**.831**
REXP2	**1.000**	**.696**
KNOW1	**1.000**	**.523**
KNOW2	**1.000**	**.814**
GPOL1	**1.000**	**.765**
GPOL2	**1.000**	**.618**
GPOL3	**1.000**	**.868**

Source: Data Analysis

Principal component analysis

In the communalities variables which have factor loadings less than 0.5 were removed and factors with the high factor loading were considered as critical variables. In the study 60 variables were removed out of 75 variables. After performing factor analysis 15 reliable and valid factors were identified. The same are exhibited in Table 2.

They are

1. Consideration to profits
2. Consider Balance Sheet information
3. Consideration to past profits
4. Consider Earnings Per Share
5. Consider Dividends Per Share
6. Consider Market Price of Share
7. Seek information from peers
8. Seek information from friends, relatives
9. Consider Rare of Return.
10. Consider Interest/ Dividends
11. Familiarity With Investment Avenue
12. Test Performance Of Investment Avenue
13. Priority for Convenience Of Investment
14. Information preference on internet
15. Information preference on News Papers and Television

Total variance explained is shown in Table 3 below.

Table 3,Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	5.420	36.136	36.136	5.420	36.136	36.136
2	1.878	12.519	48.655	1.878	12.519	48.655
3	1.832	12.213	60.868	1.832	12.213	60.868

4	1.351	9.004	69.871	1.351	9.004	69.871
5	1.039	6.926	76.797	1.039	6.926	76.797
6	.759	5.060	81.858			
7	.647	4.314	86.172			
8	.510	3.397	89.569			
9	.481	3.208	92.777			
10	.382	2.545	95.322			
11	.278	1.854	97.176			
12	.167	1.115	98.291			
13	.141	.940	99.231			
14	.060	.397	99.628			
15	.056	.372	100.000			

Extraction Method: Principal Component Analysis.

From Table 3 we could interpret as follows

1) **From extraction sums of squared Loadings % of Variance**

The percent of variance attributable to each of the factor after extraction, value is of significance for our research. Here it can be determined that there are 5 factors which contribute towards what are important which contribute towards what are the important factors while choice of investment they are,

1. Accounting information (36%)
2. Market Information (12%)
3. Information from Peers (12%)
4. Knowledge on Investment Avenue (9%)
5. Return Expected by the investor (6%)

Cumulative variance explained for the identified factors when added to the previous factors is 76.797%.

Rotated component Matrix is exhibited in Table 4 below

Table 4,Component Matrix[a]

	Component				
	1	**2**	**3**	**4**	**5**
AI1	.585	-.089	.426	-.557	-.104
AI2	.677	-.018	.209	-.454	.094
AI3	.269	-.703	.495	-.069	-.004
AI4	.671	.046	.361	.344	-.123
MI1	.811	-.096	.108	.273	.147
MI2	.557	-.379	.137	.516	-.269
MI3	.197	.535	.702	-.068	-.113
PEER	.006	.699	.279	.100	.551
REXP	.601	.528	-.203	.156	-.354
REXP2	.700	.218	-.243	.288	-.129

KNOW1	.700	.142	-.093	-.057	.000
KNOW2	.829	-.078	-.238	-.236	.092
GPOL1	.802	.068	-.276	-.201	.031
GPOL2	.401	-.018	-.616	-.277	-.011
GPOL3	.506	-.298	-.091	.270	.665
Extraction Method: Principal Component Analysis. a. 5 components extracted.					

According to the factor loadings of component matrix shown in Table 4, five components were extracted whose values were greater than 0.5.

They are as follows

1. Accounting information
2. Market information
3. Return expected
4. Investment awareness
5. Government policy.

These variables show higher significance in taking investment decision.

Conclusions

The paper has identified 5 factors which investors take into consideration while making investment choice. They are Accounting information, Market information, return expected by the investor, investor awareness about the product and government policy.

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