

## PREFERRED INVESTMENT AVENUES AMONGST VARIOUS INVESTORS– A STUDY

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### ABSTRACT

*Investment is a very important activity for the financial well-being of the individual. It is an arrangement of finances in such a manner that optimum utilization of sources of funds and wealth accumulation is achieved. Every individual has financial goals and these goals will remain so, until and unless an individual takes a step forward for making investments. There are plenty of investment opportunities and being aware of that and choosing the preferred investment avenues is very essential to achieve the financial goals. Many a time, we see that there is a huge gap between financial goals, a time frame to achieve that and preferred investment avenues. This research paper is based on the primary data collected through a structured questionnaire administered to individual investors. A sample size of 104 is considered for the study. Descriptive statistics and Chi-Square tests have been done to analyze the results. Results show that some of the demographic factors have an influence on the preferred investment avenues.*

**KEYWORDS:** Preferred Investment Avenues, Investor, Financial Goals, Awareness

### INTRODUCTION

Money plays an important role in one's life. To overcome future uncertainties in future they have to invest in money. Investment is the commitment of funds which have been saved from current earnings with the hope of getting some benefits in the future. In other words, investments are the employment of funds with the aim of achieving additional income. 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 savings strategy will diversify the portfolio according to the specified needs.

Traditional investment refers to bonds, real estate, stocks and shares and alternative investment refers to precious stones, art, wine, coins, and stamps. There are some of the financial assets such as commodities, private equity, distressed securities, hedge funds, carbon credits, venture capital, film production, and financial derivatives.

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.

## Financial Goals Lead to Financial Plans

Every goal that requires finances to be fulfilled leads further to financial plans. Based on the priority with which financial goals need to be fulfilled they are fundamentally classified as short term, intermediate and long term goals. Every investor should have a financial plan which helps in predicting future cash inflows and outflows and also predicts investors' current and future financial state. From financial goals to financial plans requires enormous an amount of clarity and awareness. Investors also need to be aware of their risk appetite and the influence of the same on expectations from their investments. The time frame is another important aspect that needs to be kept in mind while investment decisions are taken for that helps in reality in realizing financial goals.

## Types of Investments

Below mentioned are some popular investment avenues among the investors:

**Equities** - equities are long term investment options, wherein the market volatility and the resultant risk of losses, if given enough time, are mitigated by the general upward momentum of the economy. They can be sold or exchanged in return. Revenue is gotten in the form of dividend and also growth.

**Bonds** - bonds are fixed income (debt) instrument issued for a period more than one year with the purpose of raising capital. They generally promise to repay the principal along with a fixed rate of interest on a specified date, called as the maturity date.

**Fixed Deposits** - FD is the type of investment provided by the bank. The rate of return is much higher than the saving the account. Some banks may offer additional services to FD holders such as loans against FD certificates at competitive interest rates.

**Mutual Fund** - These are open ended and close-ended funds operated by an Asset Management companies which raise fund from the public and invest on the assets. It is a substitute for those who are unable to invest directly in equities or debt because of resource, time or knowledge constraints. Benefits include diversification and professional money management. The average rate of return as a combination of all mutual funds put together is not fixed but is generally more than what one earns in fixed deposits.

**Real Estate** – Real Estate investment is a kind of investment on land or residential house and investors can also invest in agricultural land and semi-urban and commercial property. There are opportunities to invest in Real Estate Investment Trusts as well.

**Precious Projects** - Precious projects are items that are generally small in size but highly valuable in monetary terms. Some important precious objects are like gold, silver, precious stones and also the unique art objects. The prices of these precious projects keep on fluctuating.

**Life Insurance** – life insurance is a type of investment where investors who are called an the insurer will pay a premium and in return, he can cover the personal risk.

## REVIEW OF LITERATURE

**Pandian and Thangadurai (2013)** observe that investors can minimize risk by investing in various forms of investments. Most of the investors prefer bank deposits followed by gold investments. **Prabhat et al. (2016)** in their study observed that income, occupation, and education have an impact on the investment decision whereas age and gender have no impact on investment decision of the investors. **Bhavani and Shetty (2017)** in their study state that Investment choice is dependent on demographic variables and is affected by them. The study also recommends that investors need to develop right perspective towards investment choice.

**Joseph and Prakash (2014)** in their study focus on the various investment avenues available to investors, factors considered for investment. Most of the investors are not willing to take a risk and are not aware of how to make an investment in the share market. **Rao et al. (2013)** observe that if investors get more and more accurate information on right time, then the investors get to enjoy the success from share trading and they also suggest to bring government or regulatory body to create awareness and encourage investors. **Selvi(2015)** observes that investors prefer to invest only in safety avenues and also family culture plays a major role in the investment decision. Majority of them are only willing to invest in bank deposits rather than mutual funds and shares.



**Figure 1: Conceptual Framework of Preferred Investment Avenues Leading To Financial Well Being**

### Rationale for the Research Study

The basic purpose of the study is to have an insight into different investment avenues available for investment and understand the preferred investment avenues among the people. 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. Decisions pertaining to financial investments are very important as it helps in fulfilling the financial goals.

### Objectives

- To understand and analyze the preferred investment avenues among the people.
- To explore the gap between financial goals and investment pattern of investors.

- To find dependence between financial goals and Demographic Profile (Marital status, Age, Gender, Educational Qualification, Occupation, Monthly Income)

### Research Methodology

The study was carried out with the help of primary data and secondary data. The required data were collected through structured questionnaire. The investors who are the part of the working population in Bangalore were selected by convenient sampling method. Totally responses collected from 104 respondents were considered fit for further analysis. SPSS 20.0.1 was used and tools like Descriptive analysis, percentage analysis, and Chi-square tests were used for analysis and interpretation.

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 individual financial goals and their investment pattern. We can also understand the gap between their financial goals and investment pattern.

### Data Analysis and Interpretation

**Table 1: Demographic Profile, Awareness about Financial Goals and Risk Appetite of the Respondents (N=104)**

	Frequency	Percent
<b>Age</b>		
20-30	81	78%
30-40	13	13%
40-50	4	4%
50 and above	6	6%
<b>Gender</b>		
Female	53	50.96
Male	51	49%
<b>Marital Status</b>		
Married	31	30%
Unmarried	73	70%
<b>Education Qualification</b>		
School	4	4%
College	54	52%
Profession	46	44%
<b>Occupation</b>		
Salaried	73	70%
Profession	17	16%
Own business	14	13%
<b>Family Size</b>		
Less than 4	31	30%
4 to 6	69	66%
6 and above	4	4%
<b>No Of Earnings Members</b>		
1	22	21%
2	53	51%
3 And Above	29	28%
<b>Monthly Income</b>		
Less than 20000	12	12%
20000-40000	43	41%
40000 and above	49	47%

<b>Table Contd.,</b>		
<b>House Ownership</b>		
Own	61	59%
Rented	43	41%
<b>Financial Goal</b>		
Yes	84	81%
No	8	8%
May Be	12	11%
<b>Riskappetite</b>		
High	19	18%
Medium	69	66%
Low	16	15%

- Majority of the respondents around 78% belong to the age group of 20-30 years. There is an approximately equal representation from gender, 49% being male and 51% being a female group. 70% of the respondents are unmarried and 30% of respondents belong to the married group.
- Among the respondents 52% have completed their college education followed by 44% having a professional education. 70% of respondents are salaried employees, 16% are professionals and 13% of respondents have their own business. 66% of the families have 4-6 members and 30% have less than 4 members in their family.
- When it comes to earning members in the family, 51% of respondents have at least 2 persons to earn in a family, 28% of respondents have 3 and above members to earn in a family and 21% of respondents have only one person that is only he /she are earning in their family.
- The highest percentage being 47% earn a monthly income above Rs. 40,000 and only 12% earn less than 20000. When it comes to ownership of the house 59% of them are in own house and the remaining 41% are in a rented house.
- We wanted to see if respondents are aware of their financial goals, a majority of the respondents i.e., 81% respondents are aware of their financial goals and 8% of respondents said that they do not have financial goals. Very interestingly, around 11% of respondents said that they don't know whether they have financial goals or not.
- 66% of respondents have medium risk appetite and only 15% of respondent opted low risk appetite and 18% of respondents are high-risk takers.

## RANKING FINANCIAL GOALS

**Table 2: Percentage Analysis of Ranking of Financial Goals**

<b>Financial Goals</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Total</b>
Vehicle	15	19	19	17	15	19	104
Own house	33	38	11	7	10	5	104
Retirement	7	11	31	20	17	18	104
Travelling	13	6	24	29	11	21	104
Personal expenditure	8	14	11	22	27	22	104
Children education	28	16	8	9	24	19	104
<b>Total</b>	104	104	104	104	104	104	

(SOURCE: Primary Data)

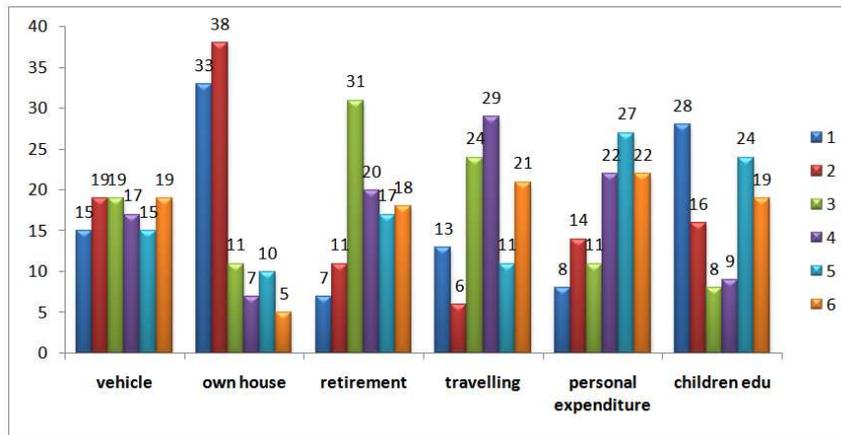


Figure 2: Graph Showing Ranking Financial Goals of the Respondents

From the above bar Figure, we can analyze that own house is the main financial goal of most of the respondents that are nearly 33 and 38 of respondents have ranked 1st and 2<sup>nd</sup> as their financial goal. Then retirement was ranked 3<sup>rd</sup> i.e., 31 of respondents opted retirement has their 3<sup>rd</sup> priority. Travelling is ranked 4<sup>th</sup>, children education was ranked 5<sup>th</sup>, personal expenditure was ranked 6<sup>th</sup> by the majority of the respondents.

**Investment Pattern of the Respondents**

Table 3: Preferred Investment Avenues of the Respondents (SOURCE: Primary Data)

Investments	Yes	No
Equity	41	63
FD	79	25
LIC	73	31
Precious item	68	36
Real estate	35	69
Mutual fund	51	53

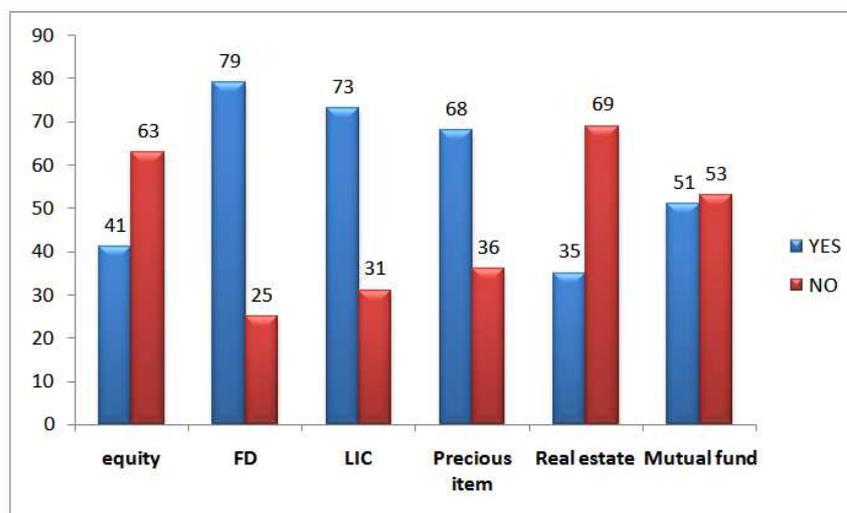
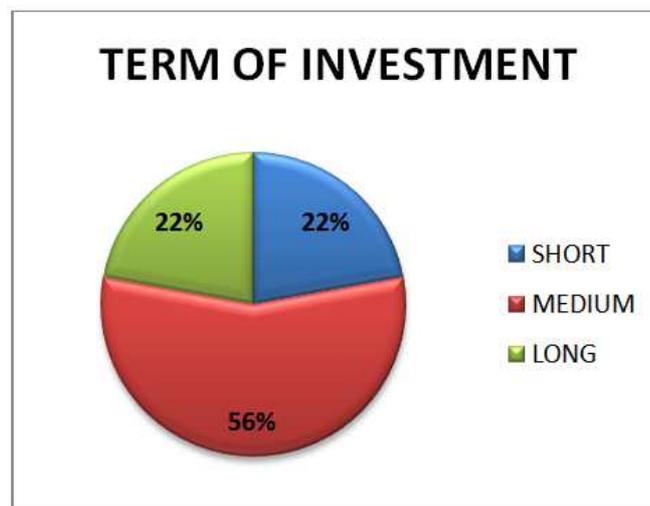


Figure 2: Preferred Investment Avenues of the Respondents

From the above graph, we can analyze that Fixed deposits, LIC, and Precious stones are the major investment patterns opted by the respondents 79%, 73% and 68% of the respondents respectively preferring these investment avenues. Majority of the respondents said 'No' for equity shares and real estate which means that they do not invest in equity shares and real estate, 63% and 69% don't have equity and mutual funds in their investment patterns. When it comes to mutual funds 51% of them have opted yes and 53% has opted no which shows that there is almost an equal divide among the investors about mutual funds as a preferred investment avenue.

**Table 4: Period of Investment**

Term of Investment	No of People	Percentage
Short	23	22%
Medium	58	56%
Long	23	22%
	<b>104</b>	



**Figure 3: Period of Investment**

From the above graph, we can show that 56% of respondents out of 104 prefer to invest in the medium term of investment and 22% of respondents each are willing to invest in short and long term.

**Objective:** To test whether financial goals Marital status and Age are independent or not.

**Test: Chi-Square**

**Hypothesis:H1:** Having financial goals and Demographic profile of respondents with marital status and age are dependent

Table 5: Test of Independence of Financial Goals on Demographic Profile

Parameters	Financial Goals			X <sup>2</sup> Value	P value	S
	Yes	No	May Be			
<b>Age</b>	65	4	12	<b>7.031</b>	<b>0.030</b>	<b>S</b>
Less than 30	19	4	0			
More than 30						
<b>Gender</b>	42	4	5	<b>0.295</b>	<b>0.863</b>	<b>NS</b>
Male	42	4	7			
Female						
<b>Educational Qualification(Regrouped)</b>	46	5	7	<b>0.213</b>	<b>0.899</b>	<b>NS</b>
School & College Education(Regrouped)	38	3	5			
Professional						
<b>Occupation</b>	57	6	10	<b>3.575</b>	<b>0.467</b>	<b>NS</b>
Salaried	16	0	1			
Professional	11	2	1			
Own Business						
<b>Monthly Income</b>	42	4	9	<b>2.663</b>	<b>0.264</b>	<b>NS</b>
Up to Rs.4,00,000	42	4	3			
Above Rs.4,00,000						
<b>Marital Status</b>	27	4	0	<b>6.874</b>	<b>0.032</b>	<b>S</b>
Married	57	4	0			
Unmarried			12			

\*Significance @0.05 (S- Significant, NS – Non-Significant)

Since the p-value in case of both marital status and age is less than our chosen significance level ( $\alpha = 0.05$ ), we accept the alternate hypothesis.

We conclude that there is a significant dependence between marital status and financial goal. `Therefore we can say that there is an association with the financial goal and marital status [ $X^2 (2) = 6.874, p = 0.032$ ].

Also in case of age and financial goals we conclude that there is a significant dependence between age and financial goals. `Therefore we can say that there is an association with the financial goal and marital status [ $X^2 (2) = 7.031, p = 0.030$ ].

#### There is no Dependence between Financial Goals and the Rest of the Demographic Profile

### FINDINGS AND SUGGESTIONS

#### Findings

- Majority of the respondents had two or more earning members and 88% of the respondents had a monthly income of more than Rs.20000.
- 81% of the respondents said they have financial goals and 66% of the respondents said they are medium risk takers.
- Very interestingly even though 59% of the respondents had their own, still owning the home ranked first in their financial goals. Planning for retirement ranked third for many respondents as a financial goal. Investing in Fixed deposits, LIC and real estate are the top three preferred investment avenues. It can be seen that there is a gap between what respondents have ranked as their top one goal being owning a home and their top preferred investment avenues being fixed deposits, LIC and then real estate.

- Majority of the investors prefer to invest for a medium term.
- There is a significant association between financial goals and marital status and age. They are dependent on each other.

## SUGGESTIONS

- Most of the respondent falls under the age group of 20-30 years but here the risk appetite of them are medium risk appetites so it is suggested for the investors that they can take a high risk since they have the capacity and age take high risk and make high profits.
- The financial goals of each individual may differ but it is suggested that each and everyone should set their financial goals in order to have good financial stability.
- Theoretical aspects are very much known to the individuals about various investments available but they don't know about the practical aspects of that investment. And their investment decision depends on myths and psychological aspects to investing in stock markets and other new investment avenues.
- It is also suggested to every respondent that they have to acquire specific knowledge of various kinds of investment opportunities available in the financial market and appraisal of investment for avoiding loss. One of the respondents suggested that everyone should invest time to educate themselves and become financially literate.

## CONCLUSIONS

The study on preferred investment avenues of various investors was undertaken with the objective to understand and analyze the factors considered for making an investment and to analyze the gap between investor's financial goals and their investment pattern. 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 from a larger sample because of the difference in their awareness level, income level, etc. In the present study, respondents from all age groups prefer FDs and Insurance. The income level of a respondent is an important factor which affects the investment portfolio of the respondent. Making investors more aware of various investment avenues is very important. Awareness levels, risk appetite, time frame set for investments, financial goals and demographic factors are all important influencing factors for the financial well-being of investors.

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