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A STUDY ON INVESTORS' PRACTICES (BEHAVIOUR) TOWARDS INVESTMENT AVENUES WITH REFERENCE TO CHENNAI CITY

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ABSTRACT :

The money earned is partly spent and rest is saved for meeting future expenses. Instead of keeping the savings idle, it is necessary to park it somewhere to get a return on the capital in future is called as investment. There are various avenues for investment, one may invest in bank deposit, postal deposit, real estate, jewellery, or stock market related instrument like share, debentures, bonds, etc., however the return from the riskier investment, the highest will be the return. So to start with the research there are various factors influencing investment avenues, of which few major factors are risk consideration, adequate knowledge , adequacy of funds and Expected return are few factors to be considered for investment, the research is also keen in analysing the frequency of investment and much essential to liquidity, company reputation , low risk and high return of the above mention variables majority of the investors feel that the resistant to risk is major factor influencing the investment. Nearly 34% of the investors review the investment annually, out of the factors preferred for investment, the investors look in for high return evident with the respond of 33.4% where as reputation of the company ranks second highest, with regard to receive investment alerts the investors prefer to receive Email alerts , nearing 49.2% of the investors prefer to invest through agents for any kind of investment, 37.6% investors feel that financial journals are best medium to acquire knowledge on investment avenues, the most area of study is to understand the proportion of savings , it is nearly 10% -12% of their of the total income. Therefore the study is concluded with few suggestions namely to increase the percentage of savings, review the investment annualy to have control over investment and its is also suggested to increase the risk level to get better returns in beat inflation.

KEYWORDS : *Investment, Inflation, Financial position & Money.*

INTRODUCTION

The money earned is partly spent and rest is saved for meeting future expenses. Instead of keeping the savings idle, it is necessary to park it somewhere to get a return on the capital in future is called as investment. There are various avenues for investment, one may invest in bank deposit, postal deposit, real estate, jewellery, or stock market related instrument like share, debentures, bonds, etc., however the return from the riskier investment, the highest will be the return. For instance, stock market related investment are risky but makes you earn more returns than bank savings. Shares are the most popular form of stock market investments due to their higher potential for capital growth (Clifford Gomez (2008)). Savings form a part of the economy of any nation, with the savings invested in various options available to the people, the money acts as the driver for a growth of a country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or the deepest of markets in the world, it has reasonable options for an ordinary man to invest in his savings.

REVIEW OF LITERATURE

Shrotriya (2003) conducted survey on investors preference in equity market which depicted the linkage of investment with the factors so considered while making investment. He says "There are various factors and their linkages also, these factors help us how to ensure safety, liquidity, capital appreciation and tax benefits along with returns".

L.C. Gupta (2000) revealed the findings of his study that there exists a wide speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative investor.

Mall C.P. and Singh J.P (2008) emphasized the importance of diversification and introducing flexibility to reduce risk. They stated that diversification reduces risks on the one hand and increases the possibility of large gains on the other. They also reviewed insurance as a way-out for reducing risk. The immense schemes help transfer of risks to the insurance company

Odeon (2001) through their theoretical models on investment portfolio examined the clarification of the financial goals an investor is willing to achieve. They also emphasize on the need to improve diversification to minimize risk. Diversification is a key investment portfolio decisions that emphasize the importance of the theme.

Swalwheen(2007) developed the relationship between portfolio investment allocation on a random basis and diversification. He concluded that diversification is the best aspect while investing. However diversification does not reduce volatility significantly while it dilutes the portfolio return substantially.

NEED FOR THE STUDY

The global investment landscape has changed dramatically with the rapid strides in the investment sector. Investors vigilance is regarded as the essential milestone for long term sustainability. Every investor runs the investment marathon, dreaming to beat the market and being super investor. Investors spend an inordinate amount of time and resources in this endeavor. Fluctuations have become the hallmark of investment market. Consequently, many fall an easy prey to the magic bullets and the select formulae offered by financial agents pushing their products. Investors constantly seek the key to their picking abilities, so that they can become wealthy quickly. (Richard Adams (2005)).

OBJECTIVES

The essential area of study is to ascertain the predominant factors influencing investment decision, based on the study with theoretical framework, here are the few variables to be considered while making an investment decision,

1) Reconsideration
2) Adequate knowledge
3) Expected return
4) Liquidity
5) Reputation of the company

The Secondary area of a study is to identify the investment posture out of the four classification made defensive, conservative, moderate, and aggressive investors. The third objective is to identify the proportion of the investment percentage with reference to the income earned.

Factors considered to be threat for an investment decision

It is not necessary that every investor will choose wise investment avenue, there are also certain factors which act as hindrance for an individual to invest, four such major factors are that the investor are not ready to take risk, poor risk tolerance, to succeed in investment the investor should have adequate knowledge which the investor any back there can also be the reason of inadequate surplus, and finally the investor would have not met expected returns.

RESEARCH METHODOLOGY

Questionnaire design:

The data is collected by means of questionnaire divided into factors influencing investment decision, investment posture, and proportion of investment percentage with reference to saving.

Data Collection Procedure:

The data collected started with the region of the study divided into Northern, Eastern, Western and Southern Chennai. This is done to ensure quality of data from sample with diverse characters.

Sample Size:

The data is collected by simple random Sampling through a Structure questionnaire circulated to nearly four hundred and fifty respondents out of which nearby four hundred and thirty respondents returned the filled in questionnaire.

Data Analysis and Interpretation

Investment decision threats

Variables	Frequency		Valid percent
	Yes	No	
Risk consideration	180	320	36
Lack of adequate knowledge	99	401	19.8
Lack of funds	42	458	8.4
Expected return	70	430	14

Source - primary data

The risk consideration is the factor which is 36% of the investors say that major threat in their investment decision in equity market. Lack of adequate knowledge which accounts for 19.8% which demotivates the investors to invest in equity market.14% of the respondents say that the expected returns are not met out of the investment made in equity market and 8.4% of the investors have not invested in equity market due to lack of funds.

Reviewing investment portfolio

To enjoy healthy growth of investments in long run it is advisable to have a frequent check of the investment portfolio otherwise it may hamper the portfolio of an investor. Here for this study the classification is divided into four categories namely rarely, monthly,annually,and quarterly.

Reviewing investment portfolio

Variables	Frequency	Valid percent	Cumulative percent
Rarely (or) never	62	12.4	12.4
Annually	174	34.8	47.2
Monthly	131	26.2	734
Quarterly	133	26.6	100

Source - Primary data

Factors preferred for investment

An investment into any of the available product entails analysis of various factors associated with the products. The individual investors perception of these factors decides their investment behavior. In which the risk-return trade off is the arriving factors behind most of the investment decisions, there exist few other factors of interest.

Factors preferred for investment

Variables	Frequency	Valid percent	Cumulative percent
Liquidity	112	22.4	22.4
Company reputation	126	25.2	47.6
Low risk	95	19.01	66.63
High return	167	33.4	100

High returns is the factor which drives majority of investment as it has been expressed by 33.4% of the investors. Since any investment is made with an anticipated return. It is also natural for any investor to expect the maximum return possible. Company reputation accounts for 25.2% which reveals that it is also a significant factor and of the investors base their favour on those products which offer better company reputation liquidity does not seem to be a major factor and this can be attributed to the fact that few products are backed by government participation. Comparatively, low risk is not identified as the first factor to be considered for investing. This is evident in the low percentage of 19% of investors opting for this factor.

Channel of Distribution

In the earlier days, the number of channels available for distribution was very limited thereby limiting the avenues for investor with the advent in technology and internet ,but the scenario has now changed as the number of channels has increased proportionately with increased focus on investors convenience offered by agents makes it the most preferred channel of distribution.

Channel of distribution

Variables	Frequency		Valid percent
	Yes	No	
Agents	246 (49.2%)	254 (50.8%)	100%
Banc -assurance	84 (16.8%)	416 (83.2%)	100%
Corporate agents	106 (21.2%)	394 (78.8%)	100%
E-Channel	120 (24.1%)	380 (76%)	100%

Source - primary data

It is evident from the above table that 49.2% of the investors voting in its favour the E-channels have not lost its favour and 24% of the investors have placed their confidence on E- Channels. Bancassurance does not appear to be a preferred channels as it evident from the percentage score.

Investments alerts for investors

To compete in a competitive market, it necessary for every competitor to adopt innovative technologies to retain the investors and make them more alert with the changing market environment for which alerts can be in the form of SMS, E-Mail, and in paper document.The role of any investment firm does not end with the sale of investment products to the investors. To create an environment for cross selling and investors confidence, the firms engage in activities to connect with the customers frequently through investment alerts.

Investment alerts

Variables	Frequency	
	Yes	No
SMS	195 (39%)	305 (61%)
E-mail	304 (60.8%)	196 (39.2%)
Paper document	132 (26.4%)	368 (73.6%)

Source - primary data

There is an inclination to use mobile channels which are user friendly devices, thereby ensuring that the alerts reach the investors. More investors (60.8%) have admitted that they receive E-mail and this can be attributed to the security aspect associated with mobile devices.

Information source for investors

Investors need to keep themselves updated with the latest market trends and opportunities to make informed decision. Most of the investment products available today are driven by market forces, which mandate any investors to understand the products and its environment better. The sources of information are expanding with time and the firms are using all possible channels to reach the information to the investors.

Information source

Variables	Frequency	
	Yes	No
Financial journals	188 (37.6%)	312 (62.4%)
Family / peer group	116 (23.8%)	384 (76.8%)
Promotional sources	43 (8.6%)	457 (91.4%)
Brokers	121 (24.2%)	379 (75.8%)
E- channels	157 (31.4%)	343 (68.6%)
Financial advisors	176 (35.2%)	324 (64.8%)

Source - primary data

Financial Journals have emerged as the most sought sources of information (37.6%) by investors, E-Channels include email communications,SMS and website pop-ups. A close look at the number reveal that except financial advisors, all the other sources of information are used almost uniformly across all classes of investors.

Investment posture of investors

Investors are classified differently by different theories. The most common segmentation of investment postures breaks them into defensive, conservative, moderate and aggressive. Such a measure of investment posture filed significant insight on the behavioral aspect of the investors. Understanding the investment posture can help any investment firm to tailor the products as per the requirements of the investors.

Investment posture of investors

Variables	Frequency	Valid percent	Cumulative percent
Defensive	82	16.4	16.4
Conservative	122	24.4	40.8
Moderate	188	37.6	78.4
Aggressive	108	21.6	100.00
Total	**500**	**100**	

Source - primary data

A significant majority of investors (37.6%) identified that the study has exhibited moderate behaviour this conveys the ability of such investors to take significant risk in anticipation of higher returns. Contradictory to the normal belief, only 16.4% of the investors have termed their investment posture as defensive.

Proportion of investment in financial assets

When it is turn that the income is a major determinant of investment decisive factor that can tell the story better is the percentage of income that an investor is able to save every month. If an investor had loads of debits and be uses majority by his income to service these debts, than even higher income level does not guarantee more investments.

Proportion of investment in financial assets

Variables	Frequency	Valid percent	Cumulative percent
Under 10%	96	19.2	19.2
10% - 12%	214	42.8	62.0
25% - 50%	119	23.8	85.8
Over 25%	71	14.2	100.0
Total	**500**	**100**	

Source - primary data

A majority of investors were found to save between 10% to 12% of the gross total income. The percentage is significantly high considered the facts that the household expenditure have grown in the recent past. The percentage of savings is less (14.2%) for savers who save above 25%.

FINDING OF THE STUDY:

This study has been undertaken to identify the various factors influencing the investment decisions, 36% of investors prefer to take risk , 34.8% of investors have recorded that they review their investment annualy, Out of the four major factors considered for investment liquidity ,company reputation, low risk and high return, the majority of investors have claimed that they look for high return nearing 33.4% with regard to channel of distribution 49.2% of investors believe that it is advisable to invest through agent and 60.8% of the investors preferred to receive alert through an email, the study remarks that 37.6% of the investors gain the knowledge of the investment through financial journals.

To understand the investment posture, which is divided into four ,the investors are said to be moderate investors, finally the finding further reveal that nearly 42.8% of the investors have revealed that they invest only 10-12% of their annual income.

CONCLUSION:

It is would be advisable for every investor showed increase the percentage of saving from 10% to 30% to beat inflation. It is understood , from the study that the investors review the investments only annually which can be reviewed quarterly to have the control over the investment avenues. The above are the suggestions made to the investors to have fruitful investment and to earn more return, it is advisable to diversify the portfolio in various sectors insurance, mutual funds and equity market.