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An analytical study of Investors Preferences towards different investment Avenues: with reference to Ahmedabad City

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Abstract: ***In this modern era, money plays an important role in every one's life. In order to overcome the problems in future they have to invest their money into different avenues. Investment of hard earned money is a crucial activity of every human being. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands, Safety of money, Liquidity, the available avenues for investment, various financial institutions, etc. Through this study, an analysis has been made into preferred investor's behaviour towards investment avenues in Ahmedabad City. It has also studied the difference of opinion of age on investor behaviour while selection of any avenue.***

Keywords: Saving – Investment, Risk – Return, Expected return.

I. INTRODUCTION

The study examined Investors' attitudes towards the various forms of investment and savings. A specific objective is better to understand the ratio for preference level of financial investments. Much type of investment areas is available in India. Some investment areas are marketable and liquid, others are nonmarketable and some of them also highly risk and less risk.

The Investors' investment depend their specific need, feature profit, savings, high return expected and etc. Commonly it is categorized under the following heads.

Share Market: this is mostly risky investment, but same time investor can earn high rate of return. Commodity: No risk, the investment becomes assets as well as its give facilities and social status.

Mutual funds: It is also risky investment, and choose the investing firm, at the same time the rate of return is normal.

Life Insurance Corporation: LIC offers number of investment schemes, they promote tax saving scheme and covers life insurance.

Post Office Savings: It is purely saving investment and no risk. It provides minimum rate of interest annually for the monthly savings. The interest rate for deposits is slightly higher than bank deposits.

Deposit in Bank: depositing in the bank is very safe to the public, because of the regulation of the RBI. Verities of deposit schemes are initiated by the bank and rendering services to the public make confidence to the public investments.

Real Estate: investment in this real estate get high returns to the investors. Returns and risk levels are depends on the land location. Gold & Silver: Investment on the metals like Gold and Silver is a conman to all, because the investment provides the social status and mortgage.

Bond & Govt. Securities: its give fixed income to the invertors, more over tax benefit to the invertors. No risk in these investments.

Medical Insurance: its give life safe guard investment and risk less safeguard to the investors' life. Medical expenditure will be compensated to the investors

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II. LITERATURE REVIEW

Arvind Kumar Singh concluded that in Bangalore investors are more aware about various investment avenues and the risk associated with that and in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Avinash Kumar Singh concluded that the Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 years give important to insurance, fixed deposits and tax saving benefits. But in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like Bank deposits, small savings, Post office savings etc.

Dowling and Staelin suggest that, investors reduce their risk, who is less risk tolerant engaged in more information search than those who are more risk tolerant.

D. Harikanth & B. Pragathi indicated that there is a significant role of income and occupation in investment avenue selection by the male and female investors. Geographical horizon of the investors, risks bearing capacity, educational level, age, gender and risk tolerance capacity etc, also impacts their selection.

Giridhari Mohanta & Sathya Swaroop Debasish states that people were ready to invest for meeting their financial, social and psychological need. But the investor always had a mindset of safety and security, higher capital gain, secured future, tax benefit, getting periodic return or dividends, easy purchase and meeting future contingency.

Kar Pratip, Natrajan & J P Singh concluded that the household's investment in shares, debentures and mutual funds was below 10% and the equity investor household's portfolio was of relatively small value and undiversified. It was also found that one set of households, in spite of their lower income and lower penetration level of consumer durables, were in the securities market, while another set of household with higher income and higher penetration level of consumer durables did not have investment in securities market.

Lalit Mohan Kathuria & Kanika Singhania concluded that private sector banking employees were investing a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues.

Meenakshi Chaturvedi & Shruti Khare revealed that most investor preferred Bank Deposits as their first choice of investment, secondly small saving scheme followed by the life insurance policies.

Puneet Bhushan & Yajulu Medury concluded that women are more conservative and takes less risk and significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees.

Schmidt and Spreng describe that better-educated Investors have a more extensive knowledge structure and are more capable of identifying, locating, and assimilating relevant information. Therefore, Investors with a higher education level would be able to search using sources that require more knowledge, such as books, newspapers, or the Internet. Moreover, Investors with higher educational levels may be more realistic about their own ability to invest and more open-minded toward professional service providers.

Sanjay Kanti Das summarized that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to get benefit of safety and security of their life and investment. It was found that there is a need for increasing the financial literacy among the middle class households.

Syed Tabassum Sultana concluded that individual investor still prefer to invest in financial products which give risk free returns. The study confirmed that Indian investors even if they are of high income, well-educated, salaried, and independent are conservative investors who prefer to play safe in the market.

V.R.Palanivelu & K.Chandrakumar highlights that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. make significant impact while deciding the investment avenues.

Rajakumar states that customers' attitude towards purchase of insurance products concludes that there is a low level of awareness about insurance products among customers in India.

Ranganathan noted that financial markets are affected by the financial behavior of investors and consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of 'behavioral finance' and thus studying the behaviour of investors holds importance.

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III. RESEARCH METHODOLOGY

Research Statement

"A study on identification of people awareness, investment and preference level and their investment criteria regarding various investment avenues namely bank deposits, bullion, equity, Government securities, mutual funds, real estate, insurance and bonds and debentures"

Research Objectives

- To know the people preference towards different investment avenues.
- To analyze the significant difference among the age groups in the average expected rate of return on their investment.
- To analyze the significant difference between male and female investors in the expected rate of return on their investment.
- To analyze the difference among the educational qualification in the average expected rate of return on their investment.
- To analyze the significant difference and among the monthly income groups in the average expected rate of return on their investments.

Type of study

Descriptive research study is used to know the awareness level, investment level and Preference level and the different investment parameter of people.

Sampling design

Looking into the time and money constraints non probability sampling method is used. In which convenience sampling method has been used.

Sample size

130 respondents will be surveyed from the sampling area.

Research instrument

A disguise and structured questionnaire has been used with open ended and close ended questions.

Data collection method

The primary data has been collected by conducting personnel interview of people and questionnaire method.

IV. DATA ANALYSIS

1. Gender and expected rate of return

To test whether Gender group level affects the expected rate of return in making choice of investments, ANOVA is applied.

Table: 1 Gender and expected rate of return

	Return					
Gender	**0-6%**	**7-12%**	**13-18%**	**19-24%**	**> 25%**	**Total**
Male	3	30	36	19	16	**104**
Female	0	7	8	9	2	**26**
Total	**3**	**37**	**44**	**28**	**18**	**130**

Ho: there is no significant difference between the genders in the average Expected rate of return on their investment.
H1: there is significant difference between the genders in the average Expected rate of return on their investment.

Table : 2 Anova: Single Factor

SUMMARY

Groups	**Count**	**Sum**	**Average**	**Variance**
0-6%	2	3	1.5	4.5
7-12%	2	37	18.5	264.5
13-18%	2	44	22	392
19-24%	2	28	14	50
> 25%	2	18	9	98

Table :3 ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	521	4	130.3	0.80501	0.57116	5.19217
Within Groups	809	5	161.8			
Total	1330	9				

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One way ANOVA is applied to find whether there is any significant difference among the Gender group in the average expected rate of investment. The ANOVA result shows that the F Table value is 5.192168 and the F calculated value is 0.805006, which is less than the table value and hence the Null hypothesis is accept. Hence there is no significant difference among the Gender groups in the average expected rate of return on their investment.

2. Age and expected Rate of return:

To test whether Age Group level affects the expected rate of return in making choice of investments, ANOVA is applied.

Table: 4 Age and expected rate of return

Age	**Return**					**Total**
	0-6%	**7-12%**	**13-18%**	**19-24%**	**> 25%**	
18-30 years	3	21	23	19	11	**77**
31-40 years	0	6	9	4	1	**20**
41-50 years	0	7	9	5	5	**26**
> 50 years	0	3	3	0	1	**7**
Total	**3**	**37**	**44**	**28**	**18**	**130**

Ho: there is no significant difference among the age groups in the average expected rate of return on their investment.
H1: there is a significant difference among the age groups in the average expected rate of return on their investment.

Table 5: Anova: Single Factor

SUMMARY

Groups	*Count*	*Sum*	*Average*	*Variance*
0-6%	4	3	0.75	2.25
7-12%	4	37	9.25	64.25
13-18%	4	44	11	72
19-24%	4	28	7	68.6667
>25%	4	18	4.5	22.3333

Table:6 ANOVA

Source of Variation	SS	Df	MS	F	P-value	F crit
Between Groups	260.5	4	65.125	1.41885	0.27563	3.05557
Within Groups	688.5	15	45.9			
Total	949	19				

One way ANOVA is applied to find whether there is any significant difference among the Agegroup in the average expected rate of investment. The ANOVA result shows that the F Table value is 3.055568 and the F calculated value is 1.418845, which is less than the table value and hence the Null hypothesis is accept. Hence there is no significant difference among the Age groups in the average expected rate of return on their investment.

3. Education and expected rate of return:

To test whether Education Group level affects the expected rate of return in making choice of investments, ANOVA is applied.

Table 7: Education and Expected Rate of Return

	Return					
Education	**0-6%**	**7-12%**	**13-18%**	**19-24%**	**> 25%**	**total**
Primary (Below S.S.C)	0	4	1	0	1	**6**
S.S.C	0	2	1	2	1	**6**
H.S.C	0	4	4	5	1	**14**
Diploma	0	0	3	3	0	**6**
Graduate	2	12	17	7	4	**42**
Post Graduate	1	15	15	11	11	**53**
Professional	0	0	3	0	0	**3**
total	**3**	**37**	**44**	**28**	**18**	**130**

Ho: there is no significant difference among the Education groups in the average expected rate of return on their investment.
H1: there is a significant difference among the Education groups in the average expected rate of return on their investment.

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Table: 8 Anova: Single Factor

Groups	Count	Sum	Average	Variance
0-6%	7	3	0.42857	0.61905
7-12%	7	37	5.28571	34.9048
13-18%	7	44	6.28571	45.5714
19-24%	7	28	4	16
>25 %	7	18	2.57143	15.6191

Table:9 ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	148.857	4	37.2143	1.65082	0.18747	2.68963
Within Groups	676.286	30	22.5429			
Total	825.143	34				

One way ANOVA is applied to find whether there is any significant difference among the Education group in the average expected rate of investment. The ANOVA result shows that the F Table value is 2.689628and the F calculated value is 1.650824, which is less than the table value and hence the Null hypothesis is accept. Hence there is no significant difference among the Education groups in the average expected rate of return on their investment.

4. Occupation and Expected Rate of Return

To test whether Education Group level affects the expected rate of return in making choice of investments, ANOVA is applied.

Table 10 Occupation and Expected Rate of Return

Occupation	**Return**					
	0-6%	**7-12%**	**13-18%**	**19-24%**	**> 25%**	**total**
STUDENT	1	9	7	5	6	28
PRIVET SERVICE	1	7	15	10	3	36
GOVT. SERVICE	1	11	6	2	8	28
RETIRED	0	1	0	0	0	1
PROFESSIONAL	0	1	4	5	0	10
BUSINESS OWNER	0	8	12	6	1	27
Total	**3**	**37**	**44**	**28**	**18**	**130**

Ho: there is no significant difference among the occupation and the average expected rate of return on their investment.
H1: there is a significant difference among the occupation and the average expected rate of return on their investment.

Table. 11 Anova: Single Factor

SUMMARY

Groups	**Count**	**Sum**	**Average**	**Variance**
0-6%	6	3	0.5	0.3
7-12%	6	37	6.16667	17.7667
13-18%	6	44	7.33333	29.4667
19-24%	6	28	4.66667	11.8667
> 25%	6	18	3	11.2

Table. 12 ANOVA

Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	173.667	4	43.4167	3.07484	0.03447	2.75871
Within Groups	353	25	14.12			
Total	526.667	29				

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One way ANOVA is applied to find whether there is any significant difference among the occupation group in the average expected rate of investment. The ANOVA result shows that the F Table value is 2.75871and the F calculated value is 3.074835, which is more than the table value and hence the Alternative hypothesis is accept. Hence there is a significant difference among the occupation groups in the average expected rate of return on their investment.

5. Monthly Income and expected rate of return:

To test whether Monthly income Group level affects the expected rate of return in making choice of investments, ANOVA is applied.

Table.13 Monthly Income and expected rate of return

Monthly Income	Return					
	0-6%	7-12%	13-18%	19-24%	> 25%	total
Less then 5000	2	8	3	1	4	18
from 5000 to 10000	0	8	8	8	5	29
From 10001 to 15000	0	7	9	3	5	24
from 15001 to 20000	1	6	13	4	0	24
From 20001 to 25000	0	4	8	5	0	17
25001 plus	0	4	3	7	4	18
Total	**3**	**37**	**44**	**28**	**18**	**130**

Ho: there is no significant difference among the Monthly Income and the average expected rate of return on their investment.
H1: there is a significant difference among the Monthly Income and the average expected rate of return on their investment.

Table 14 Anova: Single Factor:

SUMMARY

Groups	Count	Sum	Average	Variance
0-6%	6	3	0.5	0.7
7-12%	6	37	6.16667	3.36667
13-18%	6	44	7.33333	14.6667
19-24%	6	28	4.66667	6.66667
> 25%	6	18	3	5.6

Table: 15 ANOVA

Source of Variation	*SS*	*Df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	173.667	4	43.4167	7.00269	0.00063	2.75871
Within Groups	155	25	6.2			
Total	328.667	29				

One way ANOVA is applied to find whether there is any significant difference among the Monthly income group in the average expected rate of investment. The ANOVA result shows that the F Table value is 2.75871and the F calculated value is 7.002688, which is more than the table value and hence the Alternative hypothesis is accept. Hence there is a significant difference among the Monthly income groups in the average expected rate of return on their investment.

V. FINDINGS

- Majority of people believe that equity investment is better investment avenue compare to other investment avenues.
- Majority of people prefer to take moderate risk to earn return on their investment.
- There is no significant difference between the genders in the average Expected rate of return on their investment.
- There is no significant difference among the age groups in the average expected rate of return on their investment.

- There is no significant difference among the Education groups in the average expected rate of return on their investment.
- There is a significant difference among the occupation and the average expected rate of return on their investment.
- There is a significant difference among the Monthly Income and the average expected rate of return on their investment.
- Majority of people expect 13% to 18% return on their investment.

VI. CONCLUSION

The present study endeavoured to give a look on preferences of investors towards Different investment avenues. When it comes to investment and patterns of investment various demographic factors have different effect on behavior of respondents. For Gender, Age and Occupation for obvious reasons investment has no any significant difference between them for expected return, while Occupation and Monthly income does not have difference between them for expected return. It clearly states that both males and females have tendency to invest and respondents with any education background invest, though the amount may be different and proportionate to their income. Though different respondents invest in different avenues.

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