

Investors' Preference towards Investment Avenues with Special Reference to Salaried Personnel in North Gujarat Region

Neha S Shukla

Manish Institute of Management, Visnagar

Abstract- *In this modern era, money plays an important role in one's life. In order to overcome the problems in future, People have to invest their money. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Savings are invested in assets depending on person's knowledge of different investment options, risk taking ability and demand of return. Savings form an important 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 the growth of the country. Through this research paper, an analysis has been made about investor's preference towards investment avenues & the study focused on the salaried personnel only.*

Keywords:- Investment avenues Risk and Return,

I. INTRODUCTION

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of developing countries find it difficult to get out of the -vicious circle of poverty of low income, low saving, low investment, low employment etc. With high capital output ratio, India needs very high rates of investments to make a leap forward in the efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth and increase in national income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving.

Economist and policymakers have observed that demographic factors like age, gender, marital status, qualifications, occupation, annual income, geographic location etc. have an impact on the investment decision. With that an investor's ability to handle risks may be related to individual characteristics such as age, time horizon, liquidity needs, portfolio size, income, investment knowledge, taxes etc.

To make financial decisions, people should be aware about all the investment alternatives. In the present day, the

financial markets are quite complex, with each investor having his or her own specific financial needs based on his financial goals and risk appetite. But ultimately, every investor aims at maximizing returns on his/her investment, along with capital protection. Thus it is mandatory to have financial knowledge so that people can behave rationally while investing their money. While savings are more in India, where the savings are invested is a cause for concern. Investments by households have been more into either bank fixed deposits, risk-free government-backed securities and low-yielding instruments, or in non-financial assets.

There are a large number of investment instruments available today which can be classified into groups to understand them easily. In India, numbers of investment avenues are available for the investors. Some of them are marketable and liquid while others are non-marketable and some of them also highly risky while others are almost risk less. The people have to choose Proper Avenue among them, depending upon her/his specific need, risk preference, and return expected. Investment avenues can broadly categories under the following heads.

1. Equity
2. FI Bonds
3. Corporate Debenture
4. Company Fixed
5. Bank Fixed
6. PPF
7. Life Insurance
8. Post Office-NSC
9. Gold/Silver/Precious stones
10. Real Estate
11. Mutual Fund
12. Others

Same way as per the risk taking ability of investor, the different avenues also categories as following:

- 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.
- Traditional Avenues: Real Estate (property), Gold/Silver, Chit Funds.
- Emerging Avenues: Art and Passion.

Today the field of investment is even more dynamic than it was only a decade ago. World event rapidly events that alter the values of specific assets the individual has so many assets to choose from, and the amount of information available to the investors is staggering and continually growing. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently, by using a longer period of time. These investments are not totally safe from risks, so one should try to understand what kind of risks are related to them before taking action. To understand the characteristics of each one of the different types of investment Investors must have enough financial knowledge.

II. LITERATURE REVIEW

There are a large number of investment instruments available today with different characteristics. Investors have to choose proper investment options depending upon her/his specific need, risk preference, and return expected. Investors differ in characteristics due to demographic factors such as socio-economic background, educational level, age, gender, and alike. Various researchers have carried out research in various spheres of investment.

Richard B. Freeman (1979) in his analysis showed that from the late 1960s through the mid-1970s when the number of young workers increased rapidly, the earnings of young male workers fell relative to the earnings of older male workers, altering male age-earnings profiles, particularly for college graduates. His study suggested that the increased number of young male workers was the major causal force underlying the increased earnings of older men relative to the earnings of younger men.

Bajtelsmit, V. L. & Bernasek, A. (1996) in their research study explained for gender differences in investment and risk-taking in an effort to help guide data collection and identification of relevant variables for empirical research. Hinz, R. P., McCarthy, D. D., & Turner, J. A. (1997) studied that financial wealth had a significant and positive impact on the average level of risk chosen in a portfolio. As it was an additional measure of financial sophistication, they again confirmed the conclusion that more sophisticated investors entertain a higher average level of portfolio risk. They showed that dummy variable for having no financial wealth had no significant effect, statistically, on risk-taking.

Wang H. And S. Hanna, (1997) concluded that relative risk aversion decreased as people aged (i.e., the proportion of net wealth invested in risky assets increases as people age) when other variables are held constant. They concluded that risk tolerance increased with age and therefore rejected the constant life-cycle risk aversion hypothesis. Barber, B. M., & Odean, T. (1999) in their research article, identified that rational investors traded only if the expected gains exceeded transactions costs. Overconfident investors overestimate the precision of their information and thereby the expected gains of trading. They even traded when the true expected net gains were negative. Models of investor overconfidence predicted that, since men were more overconfident than women, men traded more and perform worse than women.

Grable, J. E., & Lytton, R. H. (1999) concluded that the classes of risk tolerance (i.e., above and below-average) differed most widely on a respondent's educational level and personal finance knowledge. These two variables contributed significantly to explaining differences between levels of risk tolerance.

Ronay., Richard & Kim Do-Yeong. (2006) suggested that measuring individual variations in risk-taking propensity within laboratory contexts alone could be misleading. At least in the case of males, it appeared that individuals' attitudes towards risky decisions could significantly deviate from their explicitly expressed attitudes when placed in a group context. This finding not only had a bearing on the issue of physical accidents resulting from risk-taking, but could also be taken as an argument for the benefits of gender balance within decision making bodies. Increasing gender diversity within predominantly male business and government decision making bodies could help disrupt drifts towards bad decisions arising out of high levels of group cohesion (Janis, 1982).

Herrmann, Andrew. F. (2007) provided the estimation results and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specifications and leveraging multiple risk/return measures, the evidence pointed to significant effects with respect to both race and gender.

Croson, R., & Gneezy, U. (2009) discussed a number of studies that demonstrated how strongly (and in what direction) social preferences manifest themselves in men and in women. They included evidence on altruism and inequality aversion from ultimatum and dictator game studies. They also included evidence on reciprocity from studies using trust and related games. Finally, they briefly mentioned a large number of older studies using the Prisoners' Dilemma game and

discussed in more detail various studies using social dilemmas and/or public goods provision games.

Gaurav Kabra (2010) concluded that the modern investor is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments accordingly which again depends on the investors' demographic characteristics. Hence, it becomes very vital to assess and understand the investor.

According to Gaur Arti (2011) Female investors tend to display less confidence in their investment decisions and hence have lower satisfaction levels and female investors are more cautious vis-à-vis males with regards to prospective investment in equity shares especially if availability of funds is low.

Puneet Bhushan & Yajulu Medury (2013) 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.

V.R.Palanivelu & K.Chandrakumar (2013) 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.

III. OBJECTIVE OF RESEARCH

Main Objective:

The main objective of the research is to study salaried personnel's preference toward different investment avenue.

Sub Objective:

With that research is also focused on the main reasons of investment & the source of information from which the salaried people get information of different investment avenue.

IV. METHODOLOGY/APPROACH

In simple terms methodology can be defined as, it is used to give a clear cut idea on what the researcher is carrying out his or her research. In order to plan in a right point of time and to advance the research work methodology makes the right platform to the researcher to mapping out the research work in relevance to make solid plans.

Both the primary and secondary data shall be used for carrying out the research work. Secondary data shall be collected from periodicals, journals, magazines, newspapers, websites and other reference material. Primary data shall be collected with the help of structured questionnaire.

Research Design

Descriptive Research Design is used as researcher wants to gain a better understanding of investor, the design used will help in the exploring the investor.

Data Sources

Both primary and secondary data sources shall be used. Primary data shall be collected from questionnaire while, secondary data shall be collected from various sources like books, magazines, journals, internet, etc.

Sampling Unit

The study aims to measure the investment pattern of individuals on the basis demographic characteristics. The sampling unit consists of respondents who are salaried Personnel and belonging to the North Gujarat Region.

Sample Size

For the purpose of the study, total of 100 respondents have been studied.

Sampling Method

For collecting the responses from the customers Convenience Sampling Method, which is a classification of Non – Probability Sampling Methods shall be used.

Instrument

For the purpose of the study Non-Disguised Structured Questionnaire shall be used.

Data Analysis Techniques:

For analyzing the data collected, software like Microsoft Excel and SPSS shall be used.

Place of Work:

The research shall be carried out in major cities of Gujarat state i.e. Ahmedabad, Surat, Baroda, Rajkot and Mahesana

V. ANALYSIS

To better understand the Investor's preference towards investment avenues we first need to understand it

categorically. Creating a cross tabulation between Investor's preference vs. demographic variables will give us an answer. A chi-Square test has been applied to check the significant differences across the factors.

Table 1: Chi-Square Test Results (Demographic Variable * Investment)

Demographic Variables	Factors	Do you Invest			Asymptotic Sig
		Yes	No	Total	
Age	Up to 20	1	6	7	0.000
	21-25	4	11	15	
	26-30	16	13	29	
	31-35	15	2	17	
	36-40	12	3	15	
	More than 40	16	1	17	
	Total	64	36	100	
Gender	Male	28	19	47	0.385
	Female	36	17	53	
	Total	64	36	100	
Education	SSC or Less	2	1	3	0.619
	HSC	3	2	5	
	Graduation	24	19	43	
	Post-Graduation	31	13	44	
	Doctorate	4	1	5	
	Total	64	36	100	
Income (Monthly Family Income)	20,000 or less	2	11	13	0.000
	20,001 to 30,000	4	7	11	
	30,001 to 40,000	12	8	20	
	40,001 to 50,000	7	6	13	
	50,001 to 60,000	19	2	21	
	60,001 to 70,000	14	2	16	
	70,001 or more	6	0	6	
	Total	64	36	100	

From the above table, it is very much evident that age has significant relationship with the investment. It is very much clear that as the age increases respondents tend to invest. As the test suggests, investment does not share significant relationship with gender. Irrespective of the gender, respondents are investing in various avenues. Out of total 100 respondents 47 (47%) of male respondents are there in the sample, out of total 47 respondents 28(59.5%) respondents invest. In case of total 53 (53%) female respondents 36

(67.9%) tend to invest. In case of education the various respondents almost equally invest. While in the case of income, it has significant relationship with investment. Respondents having income less than Rs 30,000 are not investing; the ratio of respondents not investing/not investing is 0.25, which means that only 1 in 4 is investing. In case of income above Rs 30,000 the ratio is 0.76, which means that 3 respondents out of 4 are investing.

Table 2: Respondents investing in various avenues

Investment Avenues	Respondents	% age
Fixed Deposit & Saving Account	87	18.8%
Insurance Policy (Endowment Plan Only)	34	7.3%
Public Provident Funds	43	9.3%
National Saving Certificate (NSC)	34	7.3%
Mutual Fund	27	5.8%
Stock Market	23	5.0%
Bond	12	2.6%
Investment in Gold & Silver	84	18.1%
Real Estate	41	8.8%
Post office savings schemes	58	12.5%
Commodity Market	16	3.4%
Investing in Art	0	0.0%
Chit Fund	2	0.4%
FOREX Market	3	0.6%
Other:	0	0.0%
Total	464	100.0%

In the above table investment patterns are classified. As investors invest in multiple avenues, it is difficult to claim single investment to be very much used among, but it is evident that investors invest in various different avenues.

It is simultaneously very important to understand, what the primary purpose of their savings is. For the same respondents were asked the why do they invest in various investment avenues.

Table 3: Purpose of Investment

Purpose of Investment	Nos.	% age
Children's future	36	13.2%
Retirement	29	10.7%
Health care	34	12.5%
Home purchase	67	24.6%
Long term growth & income	52	19.1%
Tax savings	37	13.6%
Future Financial Responsibilities	17	6.3%
Other:	0	0.0%
Total	272	100.0%

It is clear that large number of respondents 67 (24.5%) invest to purchase a home. Second to it is long term growth and income i.e. 52 (19.1%). And the third biggest category is Tax Savings 37 (13.6%). the purpose having the least number of respondents are Future financial responsibilities, Retirement, and Health Care with 6.3%, 10.7% & 12.5% respondents. It is clear that investors are investing for home purchase, long term growth and tax savings, while they are not investing for future financial responsibilities, retirement, and health care.

It is important to know that what is the source of Investment Advice for the customers as it may prove beneficial for the provider of investment avenues to know it.

Table 4: Sources of Investment Advice

Source	Nos.	% Age
Newspaper/ Magazine	25	18.4%
New channels	17	12.5%
Friends & Relative	44	32.4%
Internet	13	9.6%
Financial planner/ Advisor	36	26.5%
Other:	1	0.7%
Total	136	100.0%

Mainly, 44 (32.4%) respondents rely on the investment advice of Friends and Relatives followed by Financial Planner / Advisor 36 (26.5%). The list they rely on is Internet and news channels by 13 (9.6%) and 17 (12.5%) respectively. Further analyzing the data presented, factor analysis was applied to the factor, Purpose of Investment and following results were obtained.

Table 5: KMO & Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.843
Bartlett's Test of Sphericity	Approx. Chi-Square	16.297
	df	21
	Sig.	.025

As per the table, it is clear that factor analysis can be applied as KMO measure of sampling adequacy is more than 0.8, with that significance level is also below 0.05, hence, factor analysis can be applied. Interpreting on the bases of varimax rotation identifying the factors, we get.

Table 6: Rotated Component Matrix

Rotated Component Matrix^a		
Factors	Component	
	1	2
Long Term Growth & Income	.068	.808
Children's Future	.733	.013
Health Care	.616	.288
Home Purchase	.167	.784
Retirement	.474	.693
Future Financial Responsibilities	.564	.265
Tax Savings	.045	.813
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 7 iterations.		

As a result of the factor analysis, we can say that all the purpose of investment can be classified in two different categories. All the investment made addresses primarily two factors only.

Table 7: Identifying factors from Factor Analysis

Factors	Purpose
Wealth Accumulation	Long term Growth and Income
	Home Purchase
	Retirement
	Tax Savings
Financial Responsibilities	Children's Future
	Health Care
	Future Financial Responsibilities

Clearly, all the factors are identified by two factors only i.e. wealth accumulation and financial responsibilities, which explains all the purposes of investment.

Further, it is very important to understand what type of investment is perceived for what purpose. Hence a cross tabulation of factors explaining purpose and types of investment is done.

Table 8: Cross tabulation of Factors and Different Investment Avenues

Investment Avenues	Wealth Accumulation	Financial Responsibilities	Total Respondents
Fixed Deposit & Saving Account	24	63	87
Insurance Policy (Endowment Plan Only)	19	15	34
Public Provident Funds	12	31	43
National Saving Certificate (NSC)	9	25	34
Mutual Fund	19	8	27
Stock Market	16	7	23
Bond	5	7	12
Investment in Gold & Silver	23	61	84
Real Estate	29	12	41
Post office savings schemes	16	42	58
Commodity Market	11	5	16
Chit Fund	2	0	2
FOREX Market	3	0	3

For finding out any significant relationship between various investment avenues and factors derived, chi-square analysis has been applied.

Table 9: Chi Square Test (Factors * Different Investment Avenues)

	Value	df	Asymp. Sig (2-Sided)
Pearson Chi-Square	15.531 ^a	13	0.001
Likelihood Ratio	15.956	13	0.001
Linear-by-Linear Association	5.856	1	0.001
N of Valid Cases	100		
a. 4 cells (15.3%) have expected count less than 5. The minimum expected count is			

It is evident from the test that there is a strong relationship between the reasons of investment and investment avenues, as asymptotic significance level is $0.001 \leq 0.05$.

VI. CONCLUSION

When it comes to investment and patterns of investment various demographic factors have different effect on behavior of respondents. For age and income, for obvious reasons investment has significant relationship, while gender and Education does not have significant relationship with investment. 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, it was evident that they tend to invest much in Fixed Deposits, Post office scheme and Gold and Silver. Majority of respondents invest for purchasing home and long term growth. It is also observed that friends/relatives and financial advisor have greater impact over advices sought before investment. With the help for factor reduction test, all the purpose of investment was reduces to only two factors i.e. Wealth accumulation and Financial Responsibilities. With the help of chi-square between factors and various investment avenues it was very much clear that respondents invest for specific purpose in specific investment avenues. Though there are customers who are investing in various avenues for almost both the purposes (Factors), i.e. insurance policy.

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