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INDIVIDUAL'S PREFERENCE FOR INVESTMENT - A REVIEW OF LITERATURE

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ABSTRACT

In this modern time, the money plays an important role in everybody's life. Every individual saved from current consumption for the benefits of future requirements. Saving of people is invested in various assets for fulfilling future needs. Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in the future. Thus it is a reward for waiting for money. Saving of the individual are invested in assets depending on their risk and return demands, safety money, liquidity, the available avenue for investment, various financial institutions, etc.

For the achievement of above goals appropriate decisions have to be taken through this study, an attempt has been made to see the preference of investors towards various investment avenues. This paper is based on the research work done on the said subject. For the purpose of study the research papers were selected from various national and international Journals & conference proceedings.

Keywords: Investment avenues, Risk and return.

INTRODUCTION

Investment is the purchase of financial assets or other item of value with expectation of favorable future returns. The most crucial problem faced by the investors is perhaps in the area of taking investment decisions. Every investor differs from the investors in all aspect due to various like demographic factors, socio-economic background, marital status, educational qualification, age , gender, etc. The other problem in investment is the lack of awareness about various investment alternatives. In India many investment avenues are available in which some are highly risky or some are marketable and liquid. The investor has to choose particular avenue depending upon his specific need, risk preference and return expected (Kothari 2014). We can divide the investment avenues according to their risk level in many parts such as:

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- Low Risk Avenues: Saving Accounts, Bank fixed deposits, Public Provident Fund, Government Securities etc.
- Moderate Risk Avenues: Mutual Fund, Life Insurance Policy, Debentures, Bonds etc.
- High Risk Avenues: Equity Share Market, Commodity Market, FOREX Market etc.
- Traditional Avenues: Real Estate (Property), Gold, Silver, Chit Funds etc.

The choices of investment are affected by several factors. In investment decision making strategies gender differences plays a dominant role. Psychological research reveals that in area such as financial decision making, women have different outlook and preferences than men (Davar, 2007). In macro analysis of saving and capital formation the national economy is divided into three sectors such as government, private corporate sectors and households. In India households are the main contributors to in the national savings. Total saving of household comprises financial savings and physical savings. In the past most preferable investment avenue of households was investment in valuable assets mainly in gold and silver. Import of gold and silver aggregated about $60 billion in 2011, most of which was investment made by households (Report of Twelfth Plan). Until 2007-08, this represented around 1.0 -1.3 per cent of GDP and even in the crises year of 2008-09 the ratio was 1.4 per cent. It has increased very sharply because of reflecting the assessment that inflation has increased and rupee was likely to come down and pressure with a fall in the other financial savings products. In this manner it made gold and silver an attractive assets. It is estimated at constant prices to be 2.4 per cent of GDP 2011-12. With the exchange rate depreciation that has occurred and the initiatives to improve the availability of financial savings products and expectation moderation in inflation the proportion of investment in valuables is expected to steadily decline to 1.6 per cent in GDP in 2016-17. The Working Group on Savings for the Twelfth Five Year Plan (2012-13 to 2016-2017) had made several projections based on alternative values for economic growth and inflation. The net financial savings of household sector is expected to 10.7 per cent (2012-17) and investment by households in physical assets is expected to average 12.3 percent of GDP in Twelfth Plan. Thus, the total household savings including both net financial assets and physical assets are projected to average 23 per cent for the Twelfth Plan period. Hence, it shows that households' savings are most important for the economic growth of economy. The savings of household should be invested in such manner so that it would be beneficial for both the households and nation. The investment may be done in the form of bank deposits, non-banking deposits, life insurance funds, provident fund and pension funds, claims on the government, share and debentures, units of UTI ,mutual funds etc. In India where a large section of the population is rural and uneducated, considerable dissimilarities are there in distribution of income and wealth between the rural households. There is difference between the choice of investment preference of rural and urban people. The NCAER (1972-80) in its report stated that the rural households save only a smaller portion of their income than the urban households (Muraleedharan, 2008). For this paper, articles

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in which the selection of different investment avenues for female and male were analyzed are taken. Further it determines the differences in the investment decision making process and its likely implications on future investment for male and female investors.

REVIEW OF LITERATURE

In this literature survey, highly attention has been given to psychological factors that lead to common investment practices in general. An attempt has been made to review researches including different categories of investors of different areas. Here, we provide a highly summarized review of a few but probably some of the most relevant and important ones from the perspective of the present study.

Singh (2012) conducted a study on investors' attitude towards mutual funds as an investment option. In this paper, structure of mutual fund, operations of mutual fund, comparison between investment in mutual fund and bank and calculation of NAV etc. have been considered. In this paper, the impacts of various demographic factors on investors' attitude towards mutual fund have been studied. In order to conduct this study, 250 investors' in Ranchi region have been selected. For measuring various phenomena and analyzing the collected data effectively and efficiently for drawing sound conclusions, Chi-square test has been used and for analyzing the various factors responsible for investment in mutual funds, ranking was done on the basis of weighted scores and scoring was also done on the basis of scale. During the study, it was found that the investors' basically invested in mutual funds due to high return potential, transparency, liquidity, flexibility and affordability.

Samudra *et al. (2012)* has studied on Investment Behaviour of Middle Class Households in Nagpur. The household are further divided into aspirers, middle-middle class and upper class. A sample of 300 households has been taken for this study. It is found that the bank deposits remain the most popular instrument of investment followed by insurance with maximum number of respondents investing in these fixed income bearing option. 30 percent respondent marked life insurance as relatively preferred investment option. Small saving schemes such as public provident fund, post office savings are the third preferred investment option. The research result also illustrates that majority of the respondents of the selected middle class households take investment decision on their own. The government should also design policy to make people invest in various instruments rather than stashing cash at home.

Brahmabhatt, *et al.* (2012) in this paper "A Study of Investor Behaviour on Investment Avenue in Mumbai" analyzed that people like to investment in Stock Market as compared to any other markets, even if they faces huge losses. Most of the people surveyed were retired persons or the age group between 35-50. This indicates that youth of India are unaware about investment opportunities. In this study a sample of 100 investors was taken from Mumbai and exploratory

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research design is used. According to the data that have been collected people give more preference to saving and safety but that the same time they want higher interest at low risk in shorter span. Women are attracted towards investing gold than any other investment avenue.

Jain et al. (2012) examined the relationship between level of risk and demographic factors of investors' confined to Rajasthan state. .The sample size of 200 investors has taken from different cities in Rajasthan state only between the periods from April 2011 to Jan 2012. Chi-Square and Correlation analysis were used to test whether there was a significant relationship between the demographic factors and the level of risk taking ability of the investors. This paper reveals that there is a negative correlation between Marital Status, Gender, Age, Educational Qualification and Occupation of the investors' also. There is a positive correlation between Cities, Income Level and Knowledge of the investors'. This study concludes that various demographic factors like age, marital status, gender, city, income level, market knowledge, occupations and qualifications etc have major impact on investment decision of investors in Rajasthan.

Bbashir et al. (2013) conducted a study on investment preferences and risk level of salaried individuals. It shows the relationship of demographic variables with the investment preferences consisting of stock investment and gambling decisions of salaried individuals of finance teachers and bankers of Gujarat and Sialkot. A sample of 120 individuals was taken for this study. The statistical tools used for this research is frequency tables and correlation coefficient on data conducted by questionnaire. The software SPSS 18 used for coding data and for finding the results. The research indicates that females are more risk averse than males. Finally it is concluded that demographic factors have significant relationship with risk level, stock investment and gambling.

Kumar *et al* (2013) conducted a study on Customer's Preferences Towards Investment in Equity Shares and Mutual Funds" in 2013. The main purpose of this study is to find investors preference for various investment alternatives particularly shares and mutual funds. A sample size of 100 has been undertaken in this research from Agra. The statistical tools used for the purpose of analysis of the study are Z-test, Chi-square, percentage and ranking method. The study finds that 60% of respondents prefer mutual funds as compare to equity shares. It also reveals that among various kinds of investments, top five investment alternatives from investor's point of view are real estate, gold, PPF, and mutual funds. It was found that NSE, KVP etc. were least preferred investment instruments.

Bhatt (2013) has studied on investment and trading pattern of individual dealing in stock market. Objectives are to know the awareness of Capital Market, analyze the investment habit of the people of Jamnagar City (Gujarat) and check the purpose of investing in selected Investment Avenues. Sample size for this study was 150 individual from Jamnagar city. Here, two variables are tested i.e. occupation and investment pattern, age and risk taking ability, etc. The scope of this study is geographically limited to Jamnagar city, it include all class of people those who are

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dealing in stock market. It is concluded during the study that, occupation, age, education does affect the investment decision of individuals dealing in stock market. It was also found that new generation investors (whose age is less than 35) prefer online trading rather than off line.

Nawaz et al. (2013) in their article, "A study on various forms of gold investment" explained various alternatives available for investment in gold through options like jewellery, coins, bullions, ETF, mutual funds, E-gold etc. The present study is descriptive study in nature. Sample size is 50 respondents from Bangalore and the convenience sampling has been used. It is found that the current market scenario of high volatile, rapidly changing market place, various avenues for investment in gold are creating the confusion among Investors. It is found that the 60 per cent of respondents prefer to invest in gold coin due to easily available and 20 per cent feels moderate loss value and available in lesser denomination. 44 per cent feels gold coins are not safe involves some making charges and storage charges.

Pandian et al. (2013) has studied on Investors Preference towards various Investment avenues in Dehradun District. The objective of the study is to analyze the investor's preference towards various investment avenues in Dehradun Districts and offer Suitable suggestions to promote investments. He investigated 120 respondents. The data are analyzed by adopting the Chi-Square test and Ranking method. The study reveals that 73.33% of the respondents are male. So it is inferred that most of the investment decisions are taken by male respondents only. Age is an important factor which influences the behavior of the individual investor and the investing ability also differs according to the age of investors. Most of the investors are in the age group between 25 to 35 years. It is clear that young investor prefer to invest and take more risk.

Kothari (2014) examined a study namely "Investment Behaviour Towards investment Avenues: A study with reference to Indore City. The study highlighted that the savings of the people invested in assets depending on their risk and return demands, safety of money, liquidity, the available avenues for investment, various financial institutions etc. Descriptive research design is carried out to describe the phenomena with a sample size of 100. It was collected from the respondent through convenient judgmental sampling method in Indore city. The author concluded that if younger generation starts investing at such an early stage on regular basis, they will able to save more for their future.

Koti (2014) concluded that investment pattern depend on the education level, income and saving level of an individual. Only 100 respondents were considered for the survey from the entire Hubli. Primary data is collected from Interaction with Branch Manager, Survey with Questionnaire. Secondary data is collected from different company's websites, related mizzens, Journals, Experts views and other related websites. The study found that many investors who don't like to invest in stock market believe risk (55%) to be the major cause for their non-investment in stock market. Few others believe lack of safety (24%) and lack of knowledge (18%) to be the other reasons for not considering stock market for their investments. Most of the

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people would like to save their earnings keeping future life (health) and home purchase as their primary goals of investment. Most of the stock market investors of this Hubli region know more about equity market than any other options in stock market Many investors who don't like to invest in stock market believe risk to be the major cause for their non-investment in stock market. Investment pattern depend on the education level, income and savings level. Through, the above literature survey it is found that there are several factors which affect the investment decision of an individual and the scope of this research is wide.

RESULT AND DISCUSSION

These studies conclude that various demographic factors like age, marital status, gender, city, income level, market knowledge, occupations and qualifications etc have major impact on investment decision of investors. The researches indicate that females are more risk averse than males. The government should also design policy to make people invest in various instruments rather than stashing cash at home. The tax-sheltered schemes such as public provident fund, national savings certificate and national savings scheme are also preferred by the investors. After the study of above literature we found that there are many investment options opted by the people including Bank Deposits, Non- Banking Deposits, Life Insurance Fund, Provident Fund & Pension Fund, Share and Debentures, Unites of UTI, National Saving Certificate etc. The study can be further extended to understand the investment behavior of an individual including male and female to other variables like economic environment, inflation, rate of interest, etc.

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