



## RESEARCH ARTICLE

### A STUDY ON INVESTMENT PREFERENCE

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#### ABSTRACT

Investment means putting your money to work for you. Essentially, it is different way to think about how to make money. Growing up, most of us taught that you can earn your income only by getting job & working. And that's exactly most of us do. There's one big problem with this: if you want money, you have to work more hours. However, there is a limit to how many hours a day we can work, not to mention the fact that having a bunch of money is no fun if we don't have the leisure time to enjoy it. You can't create duplicate of yourself to increase your working time, so instead, you need to send an extension of yourself - your money- to work. Quite simply, making your money work for you maximizes your earning potential whether or not you receive a raise, decide to work overtime or for looking a higher paying job. There are many different ways we can go about making an investment. This includes putting money into stocks, bonds, mutual funds, real estate & so on. Researchers has studied the different avenues of investments as well as the factors while selecting the investment with a sample size of 50 using a structured questionnaire. Actually the present study identifies the preferred investment avenues among the individual investments using self assessment test. The study is based on primary sources of data which are collected by the distribution of a close ended questionnaire. The data has been analyzed using percentage, chi-square test using statistical software.

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#### INTRODUCTION

##### Investment options available

Today, there are large numbers of investments available. In India, people do savings to make their life better in the near future. There are many investment avenues, some of them are marketable where as some are not and also some avenues are more risky & some of them are less risky, it depends on how much return will get in particular period of time. It depends on the investors who are risk lovers & who are not to invest in investment avenues.

##### Post office

Schemes specially designed for government employees, businessman & other salaried classes who are income tax assesses. In this scheme, there is no maximum limit for investment & also there is no tax deduction at source. Certificates can be kept as collateral to get loan from banks. The current rate in this scheme is 7.9%.

##### PPF

Deposits can be made in lump-sum or in 12 installments. Joint account cannot be opened. Account can be opened by cash or cheque and In case of cheque, the date of realization of cheque in Govt. account shall be date of opening of account. Nomination facility is available at the time of opening and also after opening of account. Account can be transferred from one post office to another. The subscriber can open another account in the name of minors but subject to maximum investment limit by adding balance in all accounts. Maturity period is 15 years but the same can be extended within one year of maturity for further 5 years and so on. Maturity value can be retained without extension and without further deposits also. Premature closure is not allowed before 15 years. Deposits qualify for deduction from income under Sec. 80C of IT Act. Interest is completely tax-free. Withdrawal is permissible every year from 7th financial year from the year of opening account. Loan facility available from 3rd financial year.

##### Real estate

This is an investment as old as the practice of land ownership. A person will buy a property and rent it out to a tenant. The owner, the landlord, is responsible for paying the mortgage, taxes and maintenance of the property. Ideally, the landlord charges enough rent to cover all of the

aforementioned costs. A landlord may also charge more in order to produce a monthly profit, but the most common strategy is to be patient and only charge enough rent to cover expenses until the mortgage has been paid, at which time the majority of the rent becomes profit. Furthermore, the property may also have appreciated in value over the course of the mortgage, leaving the landlord with a more valuable asset.

### Gold /Silver

The bullion offers investment opportunity in the form of gold, silver, art objects (paintings ,antiques), precious stones and other metals (precious objects), specific categories of metals are traded in the metal exchange. The bullion market presents an opportunity for an investor by offering returns and the end value of future. It has been absurd that on several occasions, when stock market failed, the gold market provided a return on investments.

### Mutual funds

A mutual fund is a pool of money from numerous investors who wish to save or make money just like you. Investing in a mutual fund can be a lot easier than buying and selling individual stocks and bonds on your own. Investors can sell their shares when they want. As an investor, you own shares of the mutual fund, not the individual securities. Mutual funds permit you to invest small amounts of money, however much you would like, but even so, you can benefit from being involved in a large pool of cash invested by other people. All shareholders share in the fund' s gains and losses on an equal basis, proportionately to the amount they've invested.

### Bank fixed

A **fixed deposit (FD)** is a financial instrument provided by banks which provides investors with a higher rate of interest than a regular savings account, until the given maturity date. It may or may not require the creation of a separate account. The defining criteria for a fixed deposit is that the money cannot be withdrawn from the FD as compared to a recurring deposit or a demand deposit before maturity. Some banks may offer additional services to FD holders such as loans against FD certificates at competitive interest rates. It's important to note that banks may offer lesser interest rates under uncertain economic conditions. The interest rate varies between 4 and 11 percent. [Harrison, 2000] The tenure of an FD can vary from 7, 15 or 45 days to 1.5 years and can be as high as 10 years. These investments are safer than Post Office Schemes as they are covered by the Deposit Insurance and Credit Guarantee Corporation (DICGC). However, DICGC guarantees amount up to 1,00,000 (about) per depositor per bank. They also offer income tax and wealth tax benefits.

### Equity

An equity investment generally refers to the buying and holding of shares of stock on a stock market by individuals and firms in anticipation of income from dividends and capital gains. Typically, equity holders receive voting rights, meaning that they can vote on candidates for the board of directors (shown on a diversification of the fund(s) and to obtain the skill of the professional fund managers in charge of the fund(s). An alternative, which is usually employed by large private investors and pension funds, is to hold shares directly;

in the institutional environment many clients who own portfolios have what are called segregated funds, as opposed to or in addition to the pooled mutual fund alternatives. A calculation can be made to assess whether an equity is over or underpriced, compared with a long-term government bond. This is called the yield gap or Yield Ratio. It is the ratio of the dividend yield of an equity and that of the long-term bond.

### Objectives of the study

- to study the behavior of the respondents towards investment avenues
- to study the factor influencing the behavior of the respondents

### HYPOTHESIS

- There is significant difference between in gender & level of awareness about the investments.
- There is significant relationship between income level & awareness of investments.

### Review of literature

**Prasad (2009)** examined the perception of the investors and their awareness on various investment alternatives available. A sample of 100 investors has been taken from the twin cities of Hyderabad and Secunderabad. The result of findings showed 75% Net traders were using online stock trading requiring strong technology base whereas Traditional traders felt online trading not an acute process of stock trading and they didn't participate in net trading due to risk of a system failure. Sunil Gupta (2008) the investment pattern among different groups in Shimla had revealed a clear as well as a complex picture. The complex picture means that the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class is going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments are concerned, people put their surplus in banks, past offices and other government agencies. Most of the horticulturists in Shimla city who belong to Apple belt though being rich have a tendency of investing then surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

**Karthikeyan (2001)** has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for kisan vikas patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE),and the Overall Score Confirmed that the level of awareness among investors in the old age group was higher than in those of young age group.

### Research methodology

The validity of any research is based on the systematic method of data collection and analysis of the data collected. The data is

collected through primary data as well as secondary data. The study is based on the data collected from individual investors. The sampling technique followed in this study is probability sampling. Simple random techniques are used to select the respondent from the available database. Accordingly the researcher has selected 45 investors in the study area.

The data analyzed by using **Chi-square test technique**

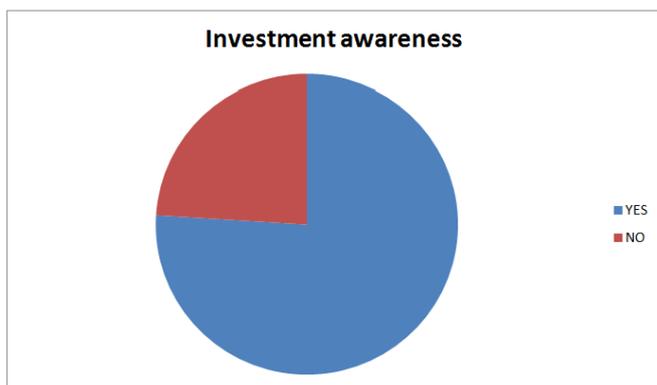
**Statistical tool used:**

- Table
- Charts
- Percentage
- Diagram

**Awareness about investment avenues**

**Table 1. Investment avenues awareness**

Sr. no	Investment avenues awareness	no. of respondents	Percentage(%)
01	YES	38	76
02	NO	12	24
	TOTAL	50	100



This above table shows that out of total number of respondents 70% are aware about investment avenues & 30% are unaware.

**Testing of Hypothesis**

**Relationship between gender & investment awareness**

**Table 2. Observed frequency**

Gender	Aware	Unaware	Total
Male	23	3	26
Female	15	9	24
total	38	12	50

**Degree of freedom**

$V = (r-1)(c-1)$   
 $V = (2-1)(2-1)$   
 $V = 1$

**Table 3. Chi-square Test**

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
23	19.76	3.24	10.4976	0.5312
3	6.24	-3.24	10.4976	1.6823
15	18.24	-3.24	10.4976	0.5755
9	5.76	3.24	10.4976	1.8225
			Total	4.6115

The value of 1 degree at 5% significant level is 3.841 & the above calculated value is 4.6115 which is more than the significant level, which means the null hypothesis is accepted.

**Relationship between income level & investment awareness**

**Table 4. Observed frequency**

S.No	Income	Aware	Unaware	Total
1	Up to 2,00,000	4	5	9
2	2,00,000-5,00,000	11	4	15
3	5,00,000-10,00,000	19	2	21
4	Above 10,00,000	4	1	5
		38	12	50

**Degree of freedom**

$V = (r-1)(c-1)$   
 $V = (4-1)(2-1)$   
 $V = 3$

**Table 5. Chi-square Test**

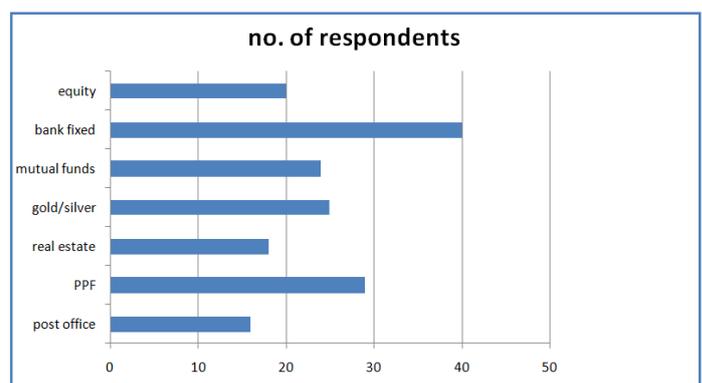
O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
4	6.84	-2.84	8.0656	1.18
5	2.16	2.84	8.0656	3.73
11	11.4	-0.4	0.16	0.014
4	3.6	0.4	0.16	0.04
19	15.96	3.04	9.2416	0.58
2	5.04	-3.04	9.2416	1.83
4	3.8	0.2	0.04	0.01
1	1.2	-0.2	0.04	0.03
			Total	7.414

The value of 3 degree at 5% significant level is 7.815 & the above calculated value is 7.414 which is less than the significant level, which means null hypothesis is rejected.

According to questionnaire, the following table shows the behavior of people towards investment avenues:-

**Table 6. Preference towards investment**

S.No	Investment avenues	No. of respondents	percentage
1	Post office	16	9.31
2	PPF	29	16.86
3	Real estate	18	10.46
4	Gold/silver	25	14.54
5	Mutual funds	24	13.95
6	Bank fixed	40	23.25
7	Equity	20	11.63
		172	100



The above shows that mostly people go for bank fixed deposit.

## Why do they invest?

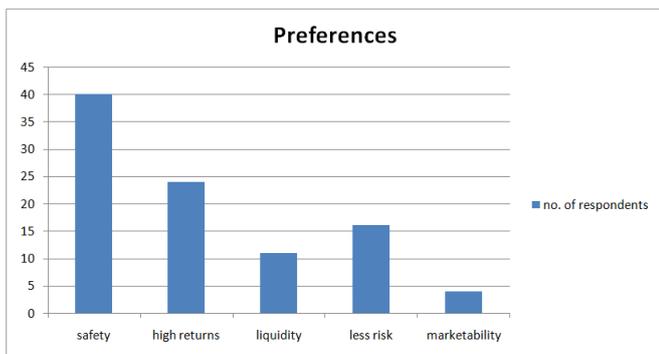
**Table 7. Reasons to invest**

S.No.	Reasons to invest	No. of respondents	percentage
1	To meet emergency needs	20	15.625
2	To meet the family needs in future	29	22.656
3	Well being of my children	10	7.8125
4	Regular income	14	10.9375
5	Good returns	23	17.97
6	Retirement safety	9	7.03
7	To reduce tax burden	23	17.97
		128	100

The above table shows that respondents have their objectives while investing:

15.625% have objective to meet emergency need, 22.656% to meet family needs in future, 7.8125% well being of their children, 10.9375% to earn regular income, 17.97% to get good returns, 7.03% respondents invest for retirement safety & 17.97% to reduce tax burden.

Factors affecting while investing



**Table 8. Factors**

S.No.	Preference	No. of respondents	Percentage
1	Safety	40	42.1
2	High returns	24	25.26
3	Liquidity	11	11.58
4	Less risk	16	16.84
5	marketability	4	4.21
		95	100

From the above table found that while selecting investment avenues, people's first preference on safety.

## Conclusion

- From the sample size (50), 76% of the respondents were aware about investment avenues while others unaware.
- From the chi-square test, the researcher found that there is no relationship between gender & investment avenues and there is significant relationship between income & investment avenues.
- Out of above respondents found that mostly respondents choose fixed deposit as it a most safely investment.
- While selecting investment avenues, mostly respondents have objective to meet the needs of family in future.

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