

A study on investment avenues and risks for the small investor: Special preference to Pollachi taluk

K Geethanjali, C Kothai Andal, T Maheswari

Assistant Professor, Sree Saraswathi Thyagaraja College, Pollachi, Coimbatore, Tamil Nadu, India

Abstract

Investors are a heterogeneous group, they may be large or small, rich or poor, expert or lay man and not all investors need equal degree of protection (Mayya, 1996). An investor has three objectives while investing his money, namely safety of invested money, liquidity position of invested money and return on investment. The return on investment may further be divided into capital gain and the rate of return on investment as interest or dividend. Among all investment options available, securities are considered the most challenging as well as rewarding. Securities include shares, debentures, derivatives, units of mutual funds, Government securities etc. An investor may be an individual or corporate legal entity investing funds with a view to derive maximum economic advantage from investment such as rate of return, capital appreciation, marketability, tax advantage and convenience of investment.

Keywords: investment avenues, risk and return, liquidity

Introduction

Investment is a purchase of a financial product or other item of value with an expectation of favorable future returns. Investing is a serious subject that can have a major impact on investor's future well-being. Virtually everyone makes investments. Investors have a lot of investment avenues to park their savings. The risk and returns available from each of these investment avenues differ from one avenue to another. Even if the individual does not select specific assets such as stock, investments are still made through participation in pension plan, and employee saving programme or through purchase of life insurance or a home.

Small investor's behavior deals with analyzing the behavior of an employee based on his psychographic and demographic factors like age, gender, education and income groups. The respondents of this study will consist of only the banking employees working in private and public sector as they are having knowledge of financial products available at large. They have unique features of safety, security, regular income, retirement benefit than the other occupation people like businessman. When it comes to investing, the volume of facts and information available can be incredibly time consuming to wade through and for many individuals it is just too confusing. Yet we need a good understanding of the financial options

available to us to be able to make good investment decisions. In India, many investment avenues are available where some are marketable and liquid while others are non-marketable and some of them are highly risky while others are almost riskless. The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. Different avenues are:

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

Virtual Real Estate, Hedge Funds/Private Equity Investments, Art and Passion.

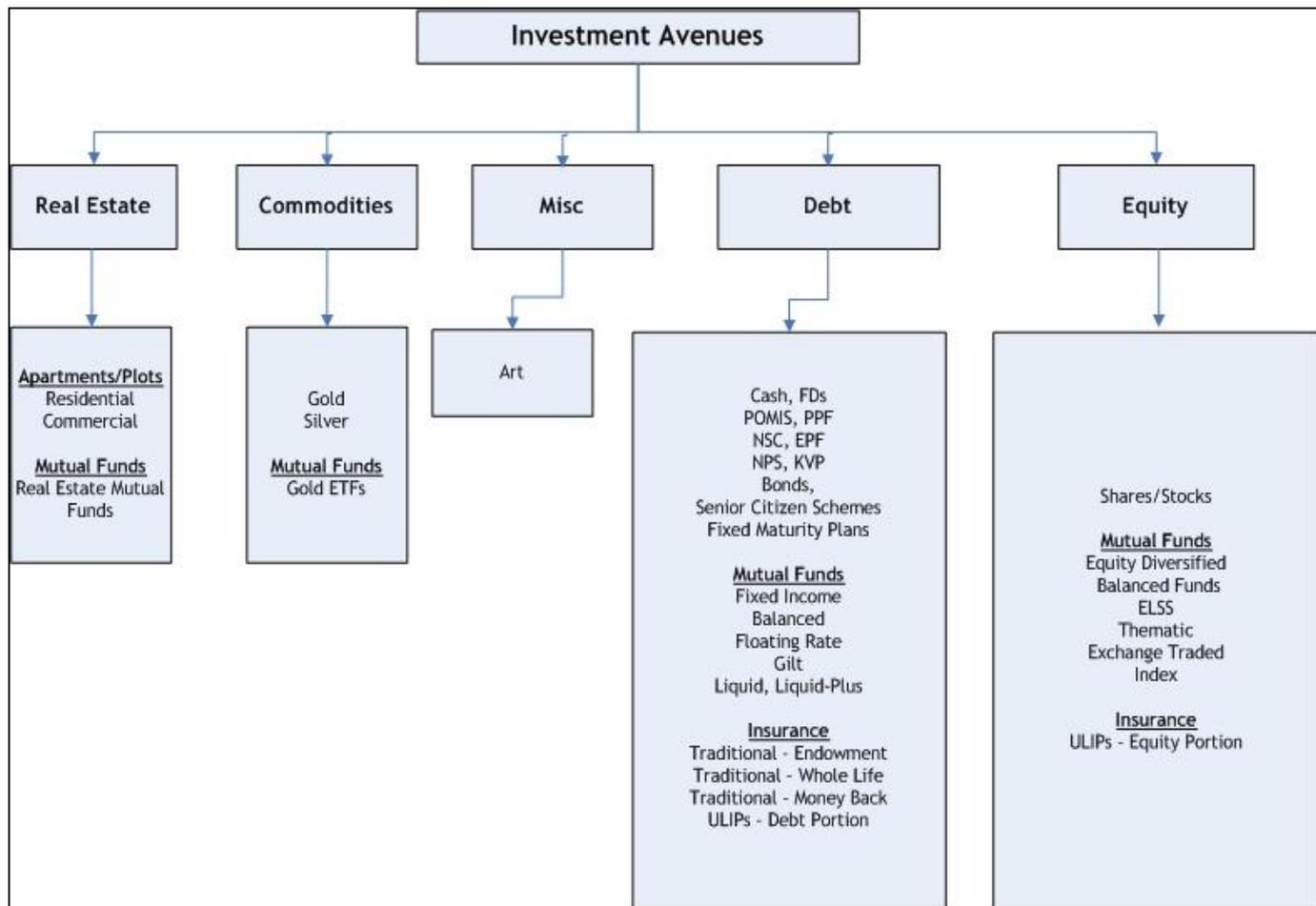


Fig 1

Objective of the Study

1. To study the investment behaviour towards investment avenues in Indore city.
2. To study the perceptions of different age groups towards investment avenues

Literature Review

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) [6] 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.

Lalit Mohan Kathuria & Kanika Singhania (2012) 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.

D. Harikanth & B. Pragathi (2012) [5] 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.

Sanjay Kanti Das (2012) 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.

Research Design

Descriptive research is carried out to describe the phenomenon. This study is done to understand investment behaviour of different age groups towards investment avenues.

Sampling and Sample Size

For the present study the sample size was 200 collected from the respondents through convenient judgmental sampling method in Pollachi Town.

Data Collection

The study was done with the primary data using questionnaire as a tool to assess the investment behaviour. Since the aim of the survey is to allow every person to list his opinion about investment avenues. A closed ended questionnaire was prepared with total thirty characteristics of attributes to assess the relative importance of each statement on a five-point Likert scale. The secondary data was collected through various webs

Limitation

- Only 200 investors belonging to pollachi taluk of both the sex are selected for the study
- Investors behavior be dynamic, there is every possibility that the finding of today may invalid tomorrow
- The result and conclusions of the study is only based on the information provided by investors confidential matter like income, savings etc.,

Table 1: Port –Folio Investment of Small Investors

Assets	safety	Liquidity	Regular income	Appreciations in value	Tax transferability	concelity	total
Gold	87(43.5%)	24(24%)	0(0%)	81(40%)	7(3.5%)	1(0.5%)	200
Real Estate	47(22.5%)	6(3%)	10(5%)	44(22%)	80(40%)	13(6.5%)	200
Bank deposits	82(41%)	83(41.5%)	22(11%)	7(3.5%)	6(3%)	0(0%)	200
LIC	156(78%)	83(41.5%)	22(11%)	7(3.5%)	7(3.5%)	4(2%)	200
Provident fund	142(71%)	12(6%)	5(2.6%)	12(6%)	23(11.5%)	6(3%)	200
National saving certificate & National saving scheme	137(68.5%)	17(8.5%)	14(7%)	11(5.5%)	18(9%)	3(1.5%)	200
Cumulative deposit	109(54...5%)	46(23%)	29(14.5%)	11(5.5%)	4(2%)	1(0.5%)	200
Chit fund	96(48%)	15(7.5%)	38(19%)	36(18%)	13(6.5%)	2(1%)	200
Shares	53(26.5%)	9(4.5%)	8(4%)	91(45.5%)	32(14%)	7(3.5%)	200

Suggestions

- Awarness programmed has to be the conducted by the government to create an awareness relation to various type of investment
- Small investor take the bimanual decision with the consultant of their family
- Reading habit of small investor should be improved
- Small investor should be motivated in their aspects of deposits in bank and insurance policy

Conclusion

Saving and investment is a part of income which vary when income change. If income increases, the saving capacity will increase. If income decreases saving capacity will also come down. They reveal that to the small investors in various investment avenues. In the present study is that the small investor prefer to bank deposits and insurance policies because the safety and security of investment.

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