

A Study of the Investment Pattern and Perception of Investor's towards Investments

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Abstract

Investment is the sacrifice of certain present value for the uncertain future reward. All investment choices are made at a point of time in accordance with the personal investment ends and in contemplation of an uncertain future. The present study is undertaken to know the investment pattern and perception of investor's towards investment. Further, the motives of the investors and the factors that they consider while making the investment decision are identified. A sample of 75 investors was selected and convenience sampling was used. Information was gathered using a questionnaire. The study revealed that most of the investors are risk averse and preferred to invest in fixed deposits, PPF, mutual funds and real estate. Further, steady income and capital appreciation are the main motives for making investments and that the company image, financial performance and expert information are the important factors considered by the investors while making investment decisions.

Key Words: *Investment, risk, perception, motives.*

Introduction

Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, size, mix, amount, timing, etc. of investment and disinvestment. Such decisions are continuous and rational. We can say that, an investment decision is a trade off between risk and return. All investment choices are made at a point of time in accordance with the personal investment ends and in contemplation of an uncertain future. Investment choices or decisions are found to be the outcome of three different but related classes of factors i.e. factual or informational premises, expectation premises and valuation premises.

Investment has become a household word and is very popular with people from all walks of life. Presently there is availability of large and attractive investment alternatives that provide income as well as capital gains hence, motivating the investors to invest. In choosing specific investments investor's need ideas regarding features which their portfolio should possess. These features should be consistent with the investor's general objectives and in addition, should provide convenience and advantage under circumstances.

We can classify the clientele of the investment environment into three groups- the household sector, the corporate sector and the government sector. The present study only focuses on investments made by the individuals of household sector.

Objectives of the Study

The study has been undertaken to know the investment pattern and perception of investor's towards investment. The objectives of the study can be listed as follows:

- 1) To identify the pattern of investment of investor's.
- 2) To identify the perception of investor's on riskiness of various investment assets.
- 3) To identify the motives of the investors for making investments.
- 4) To identify the factors that investor's consider while making investments.

Risk bearing capacity in the study has been measured as a percentage of investment in high risk assets to total investment. High risk assets are taken as company shares, mutual funds and real estate.

Review of Literature

Rajarajan, (1998) studied the relationship between the stages in life cycle of 450 individual investors and their investment size and investment pattern. The results of the study revealed that the percentage of risky assets decline as the investor's moves up in the life cycle stage. **Bandgar, (2000)** conducted a study of middle class investor's preference for financial instruments in greater Bombay and found that mostly investor's consider their own study and observation as an important factor for their investment decisions. It was also found that female investor's preferred to invest in risky securities. **Karmaker, (2001)** investigated the investment behavior of household sector of a rural block in West Bengal and found that most investor's picked up more than one asset, showing their need for diversification. Most of the investor's were risk averse. Safety was considered to be the highest priority while making a choice for investment. **Ranjith, (2002)** undertook a study to identify risk perception of investors and the relationship between the risk and demographic factors. It was found that as age increases the tendency to take risk declines. It was also found that the financial parameters were the primary factors in making investment decisions. **Vanjeko, (2007)** undertook a study relating to a specific personality characteristic namely locus of control and the risk bearing capacity of individual investors. The investor's were classified on the basis of the percentage invested in high risk assets and on the basis of having internal and external locus of control. The study found that investor's having high risk profile had an internal locus of control while those having a low risk profile had an external locus of control. **Jisha and Gomathi (2017)** analysed the income and investment pattern of working women in the city of Coimbatore and revealed that the major impact on savings was due to the level of income which has increased considerably in the last decade.

Research Methodology

The present study is a descriptive research. Convenience sampling was used to conduct the survey. Individuals who have made investments and are from Chandigarh, Mohali or Panchkula were chosen. A sample of 75 investors was taken. Out of these 8 incomplete or unusable questionnaires have been discarded and the data on 67 investors was used for the study. The study was conducted in the month of February 2018. Data collected was analyzed using descriptive statistics. The likert scale is used to measure the perception of investors towards the riskiness of the various investments.

Limitations of the Study

1. The geographic scope of the study was limited to Chandigarh, Mohali and Panchkula.

2. Respondents were selected by adopting convenience sampling method. The convenience sampling by itself has limitations of being biased.
3. The size of the sample is very small.

Analysis and Findings of the Study

Risk-based classification of investors: The risk bearing capacity, in the study, has been measured as a percentage of investment in high risk assets to total investments. Equity shares, mutual funds and real estate are considered as high risk assets in this study. It was found that nearly half of the investors held risky assets up to 20 per cent, 31 per cent of the respondents held 21 per cent - 40 per cent risky assets and 19.4 per cent of the respondents had risky assets more than 41 per cent. This shows that people are generally risk averse. Further the analysis revealed that nearly three-fifth (61.2 per cent) of the investors are risk neutral. The least number of investors are risk seeking. Thus it is known that most of the investors are not risk seeking.

Pattern of investment of the investors: 75 per cent of the respondents have made investments in Bank FD, followed by PPF and Mutual Funds in which 55 per cent of the respondents have made investments. 54 per cent of the respondents have made investments in Gold followed by real estate, insurance, company shares, recurring deposits in PO and recurring deposits in Bank, Bonds & Debentures, in which 50 per cent, 42 per cent, 30 per cent, 24 per cent, 21 per cent and 15 per cent of investors have made investments. Hence, it can be said that Bank FD, PPF, Mutual Funds and Real Estate are more popular than the other investment avenues. And bonds and debentures are the least popular.

Percentage of income invested by the investors: The analysis revealed that 40 per cent of the investors invest 10-20 per cent of their income, 39 per cent of the investors invest 20-30 per cent of their income, 14 per cent of the investors invest more than 30 per cent of their income and 7 per cent of the investors invest less than 10 per cent of their income. From the results it is seen that majority of the investors invest 10-30 per cent of their income.

Time period of investment: Majority of the respondents preferred to invest for both long and short term. While 21 per cent wanted to invest only for short term and 10 per cent wanted to invest only for long term. From the respondents who wanted to invest both for long and short term majority of them i.e. 65.4 per cent wanted to invest 40-70% of their total investment for long term.

Perception of investors on the risk associated with the various investment assets: It appears that Recurring deposits in PO are considered secure, 44.8 per cent of the respondents perceive them to be secure. It has a mean score of 1.7 indicating that on the whole it is considered to be between very secure and secure as an investment avenue. Gold is also considered to be Secure with 43.3 per cent of the respondents perceiving it to be secure and with a mean score of 1.8 indicating that on the whole it is perceived to be very secure to secure as an investment avenue. Mutual funds have a mean score of 2.82 indicating that the investors perceive them to be neutral and secure with 41.8 per cent of the investors perceiving it to be secure and 35.8 per cent of the

investors perceiving it to be neutral. Company shares have a mean score of 3.8 indicating that investors perceive them to be risky with 31.3 per cent of the respondents perceiving them to be risky and 31.3 per cent of the investors perceiving it to be very risky. Insurance has a mean score of 2.1 indicating that the investors perceive it to be secure. 43.4 per cent of the respondents consider them to be secure. Bonds and debentures have a mean score of 2.6 indicating that investors consider it to be between secure and neutral, 50.7 per cent of the respondents consider them to be secure. Bank FD has a mean score of 1.5 indicating that investors consider it to be very secure to secure, with 50 per cent of the respondents perceiving it to be secure. Recurring Deposits in bank have a mean score of 2 and 48 per cent of the respondents perceive it to be secure, hence we can say that overall they are considered to be secure. NSC/NSS has a mean score of 1.9 indicating that investors consider it to be more on the secure side. 40.3 per cent of the respondents perceive it to be very secure. PPF has a mean score of 1.7 and 43.3 per cent of the investors consider it to be very secure. Government bonds have a mean score of 1.9 indicating that investors perceive them to be secure (40.3 per cent). The mean score of real estate asset is 3.4 indicating that investors consider it to be between neutral and risky, with 30 per cent of the respondents considering it to be risky.

From the above analysis it is seen that investors consider Bank FD to be very secure. Investors consider Recurring Deposit in PO and Banks, Gold, Insurance, Bonds & Debenture, NSC/NSS, PPF and Government Bonds to be secure. Mutual funds are considered by the investors to have neutral risk while company shares and real estate are considered to be risky.

Motives behind making investments: Steady income has been the motive for making investment of 38 out of 67 respondents i.e. 57 per cent. Capital appreciation has been the motive of 52 per cent of the respondents for making investments. Tax benefit has been the motive for 42 per cent of the respondents. Short term capital gain and risk management has been the motive of 19 per cent and 13 per cent of the respondents respectively. The study reveals that steady income and capital appreciation have been the main motives behind making investments.

Factors considered in the choice of investments: The company image is considered by majority i.e. 67 per cent, of the respondents in making investment decisions. Second is financial performance that is considered by 57 per cent respondents. Third is expert information that is considered by 40 per cent of the respondents followed by management group that is considered by 27 per cent of the respondents, chance of price appreciation considered by 25 per cent of the respondents, Price of share considered by 22 per cent of the respondents, and promoters' background considered by 22 per cent of the respondents.

The study reveals that the company image, financial performance and expert information are the important factors that the investors consider for making a investment decisions.

It was found that 86 per cent of the respondents take advice from investment consultants. 39 per cent and 28 per cent of the respondents take advice form friends and Bank respectively for taking investment decisions. From share brokers, newspapers, periodicals and internet, 27 per cent, 24 per cent, 22 per cent, and 3 per cent of the respondents respectively, take advice for making a investment decisions. The results show that the investors prefer investment consultants for taking investment decisions followed by advice from friends and consultation from banks.

Conclusion

Based on the study conducted the following conclusions can be drawn: Most of the investors are risk averse. Bank FD, PPF, Mutual Funds and Real Estate are more popular than the other investment avenues like NSC/NSS, bonds and debenture, company share etc. Most of the investors invest 10-30 per cent of their income. Investors perceive Bank FD to be very secure. Recurring Deposit in PO and Banks, Gold, Insurance, Bonds & Debenture, NSC/NSS, PPF and government bonds are considered to be secure. Mutual funds are perceived to have neutral risk while company shares and real estate are perceived to be risky. Steady income and capital appreciation are the main motives for making investments.

Company image, financial performance and expert information are the important factors considered by the investors while making investment decisions. Investment consultants are the most preferred for making investment decisions followed by advice from friends and consultation from banks. Majority of the investors prefer to invest for both long and short term. While from the respondents who wanted to invest both for long and short term majority of them want to invest 40-60 per cent of their total investment for long term.

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