

AN EMPIRICAL STUDY ON INVESTMENT OPTIONS AND INVESTOR'S ACTIONS

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ABSTRACT

Learning is available everywhere at free of cost. So, we need to make use of these opportunities to have more financial knowledge about savings and investment activities. The main investment options include mutual funds, insurance, gold, real estate, SIPs and direct equity investment in blue chip companies. The present study is taken with a purpose of creating awareness to common man about investment avenues. The study is based on both primary and secondary sources. The primary data has been collected with the help of well-structured Questionnaire and secondary data has been collected from text books, journals, newspapers and websites of RBI and SEBI. The study concludes that there is lack of financial education among educated. With a proper education even non-commerce people can be financially educated over one year. The Indian government, regulatory such as RBI and SEBI are playing a vital role in educating individuals. There is an immediate need of shift from financial illiteracy to financial literacy. Individual persons taste and preference must be curated to a well financial education.

Keywords: Mutual Funds, SIPs, Regulatory Bodies, Social Media, PPF, Real Estate.

Prologue

India is an high inflationary country. Today's income and savings may not be sufficient to lead our life in future. So, everyone has to concentrate on earning income, saving money and investing the same money. Safety and liquidity are the most important in the investment process. In the modern days, there are many investment avenues available to a passionate investor. It is further said life is nothing but savings and investments. Sacrificing present pleasures for the sake of future is the order of today. Savings and investment habits are not modern habits. We are observing our elders were very systematic in savings and investments. But today's life style is influenced by foreign culture. This is an indirect effect impacting very strongly and negatively on common Indians. What we enjoy today, the same life style we have to lead even in future also. Savings and investments are very helpful in this regard. The present study is focus on various investment options available in India. The main of them are investing in bank deposits, insurance, sovereign gold bonds, mutual funds, SIPs, corporate bonds, equity investment etc.

Investment Options

There are various options available to the investor. The first duty of the investor is savings. So, he should focus on income generation and savings. The savings must be at least 25% of his income. The following options are available to the passionate investor,

- **Equity**

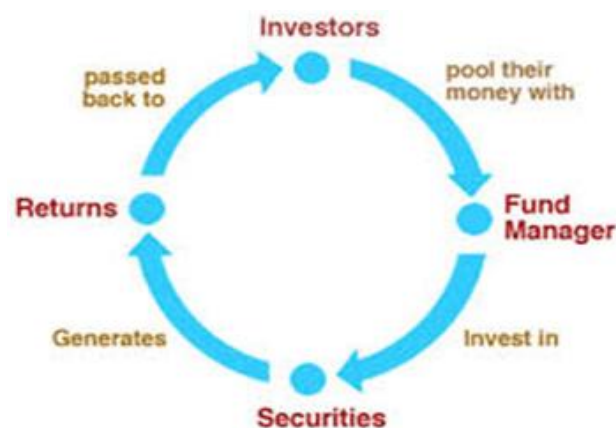
Equity is the best opportunity in the investment options. This is because, it provides highest returns among all other. It is the direct investment by the investor to the company. It has both merits as well as demerits. The main merits include high returns, inflation friendly returns and pleasure of ownership. The main demerits include fluctuation in returns, decrease in principal value etc. That is why it is regarded as riskiest investment asset class. It can be overcome with the help of proper portfolio management. That is putting four eggs in two or three bags and not in one bag. Another technique available to the investor is long

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term approach say more than five years. Investment in blue chip companies like Infosys, TCS, Wipro, Asian Paints, Reliance, SBI, HDFC Bank are safer to the investor in the long run. But finally, it is left to the risk-taking capacity of the investor. He may combine the different asset classes like shares, bonds, mutual funds, gold, real estate etc in his portfolio to reduce the risk in equity.

- **Mutual Funds**

It is solution to the problems of direct equity investment. It is regarded as indirect investment by the investor in the ownership of the company. There are two main steps in mutual fund investment. Investor will invest to expert mutual fund and the fund in turn invest in shares, debentures, bonds, gold, real estate etc. There is expertness in mutual fund. Fund managers have commitment in the investment activities. So, investor's time and money is saved. Mutual funds are mutually helpful to investors as well as companies. They play a pivotal role in country like India where majority of people are financially illiterates. Some of main mutual funds are Life Insurance Corporation of India, ICICI mutual fund, Adithya Birla, SBI Nifty Index fund etc.



The Mechanism of the Mutual Fund

The above picture depicts the mechanism of the mutual fund. Here, the investor starts to save periodically say monthly, quarterly, half yearly and yearly and invests continuously to the fund. The fund in turn invests back in the reputed blue-chip companies after careful research. The investment generates some handsome income to the fund. The fund will give a main portion of income to the investor. It is regarded as the best friend to both investors as well as to the companies. The best service is given by the fund to both at nominal fees.

- **Systematic Investment Plans (SIPs)**

A Systematic Investment Plan (SIP), more popularly known as SIP, is a facility offered by mutual funds to the investors to invest in a **disciplined** manner. SIP facility allows an investor to invest a fixed amount of money at pre-defined intervals in the selected mutual fund scheme. It provides the benefit of expert services at nominal fees. Here, investor need not to study the various risks associated in the SIP investment. The market fluctuations also need not to worry by the investor. That will be taken care by the fund manager. He is continuously watching the SIP investments in various fields like equity, debt, real estate, foreign currency, government bonds etc.

- **Debt**

It involves the investment in the form of debentures and bonds. There will be an agreement between investor and the company. It mentions the terms and conditions like rate interest, maturity period and pledge etc. The best part of the debenture is tax benefit. This ensures trade on equity. This is advantage of debenture to the company and equity shareholders. The other advantages of debentures are the fixed interest rate, fixed period and guaranteed income to the investor. Many investors and financial institutions are not in the position to take risk in the equity investment are preferring debenture investment. But the demerits include low rate of interest and no voting rights to the investors though they also invested as like equity share holders. So, in this way it can be said they are benefited to both company and investors. So, the companies have to decide the best degree of financial leverage. Higher the debt is a danger since most of the income of the company goes to the interest payment. A debt below 0.5 is a fair degree of leverage from the view point of the company as well as investors.

- **Company Fixed Deposits**

Reputed companies like Infosys, TCS, Asian Paints, ITC offer these investment opportunities to investors. The mechanism of these deposits is similar to bank fixed deposits. Here, the investor is keeping his money in the custody of blue-chip companies. It offers attractive rate interest. There will be no pledge to the investor. The reputation of the company itself is a great credibility. Company FDs are primarily meant for conservative investors who don't wish to take the risk of the stock market. But experts say the due diligence that an investor should undertake is similar to that before buying shares. Financial education of investor opens up these opportunities to him. There is fixed nature regarding rate interest and maturity period.

- **Bank Fixed Deposits**

Bank deposits are very popular and safest form of investment. Investor is always on safety side his investment is in the safe custody of banks like Sate Bank of India, HDFC Bank, Canara Bank, Bank of Baroda, Karnataka Bank, ICICI Bank etc. Since all the commercial banks including private sector banks are regulated by the Reserve Bank of India Bank deposits provides highest safety to the investors among all categories of investment options. Bank deposits are termed as term deposits. The minimum period of deposit is 30 days. This period may be 6 months, one year or five to ten years. It is left to the investment goal of the investor. But the higher period offers high interest rate. Further, it is noticed that 0.5% interest is extra offered to senior citizens. This attracts the retired employees to keep their huge money in the banks. Now a days there is liquidity also in the fixed deposits. The loan facility is also available on deposits. But the negative part of bank fixed deposits is lower rate of interest. The normal rate of annual interest is five to six percent. But India is an inflationary country. This 5% is eaten by normal annual inflation rate of 5%. Tax is another burden passed on to the investor. Therefore, financial education helps the investor to learn the investment opportunities to face the inflationary challenges in India.

- **Post Office Savings**

Post office savings are poor person's banking opportunities. They are available and affordable to all in all regions since they are spread areas like rural, urban and sub-urban areas. Post offices are owned and managed by central government. So, their activities are well managed. Post office savings and investment opportunities are more attractive compared to commercial banks. They receive penny or small deposits like Rs. 100. Their interest rates available to investors are also more. In the risk-wise also, they are better compared to equity investment. It has a maturity period of 6 years. A bonus of 10% is paid at the time of maturity. Premature withdrawal is permitted if deposit is more than one year old. A deduction of 5% is levied from the principal amount if withdrawn prematurely. The 10% bonus is also denied. Deposits can be made in multiple of Rs.50. Deposits can be pledged. The interest is calculated half yearly and paid yearly.

- **Insurance Policies**

Uncertainty is the order of today. Life is full of risks associated. Insurance policies are able to recover these kinds of risks. There are various insurance companies offering insurance policies. Two main kinds of insurance everyone must have. Life insurance is number one and health insurance is number two.

Life Insurance Corporation of India is the leading institution in the life insurance sector. LIC's market share is 64.14% in India.

Some of its schemes include life policies,

- Convertible whole life assurance policy
- Endowment assurance policy
- Jeevan Saathi
- Bheema Jyothi
- Jeevan Anand
- Bachath Plus
- Money back policy
- Unit linked plan
- Term assurance

- **Special Note:** According to Insurance agents, insurance is a savings scheme. But according to expert's opinion, it is not. This is because, the benefit offered by insurance company on the maturity of the policy is not at all enough to beat horrible inflation. So, it is advised to investors to understand the concept of insurance. That is, insurance is risk coverage scheme and not at all savings scheme. It will be benefited only if major loss happened during insurance period.

- **Public Provident Fund (PPF)**

Public Provident Fund (PPF) was introduced in India in 1968 with the objective to mobilize small savings. It can also be called a savings-cum-tax savings investment vehicle that enables one to build a retirement corpus while saving on annual taxes. It offers attractive interest rate of 7.1% pa. It provides loan facility to the subscriber. Minimum amount is Rs. 500 p a and maximum amount is Rs. 1,50,000 p a. The minimum tenure is 15 years. Tax benefit can be claimed up to Rs.1.5 lakh p a under Section 80C. It is one of the best investment options for individuals who have a low-risk appetite.

Features of PPF

- **Tenure:** The PPF has a minimum tenure of 15 years, which can be extended in blocks of 5 years as per your wish.
- **Investment Limits:** PPF allows a minimum investment of Rs 500 and a maximum of Rs 1.5 lakh for each financial year. Investments can be made in a lump sum or in a maximum of 12 installments.
- **Deposit Frequency:** Deposits into a PPF account has to be made at least once every year for 15 years.
- **Mode of Deposit:** The deposit into a PPF account can be made either by way of cash, cheque, demand draft (DD) or through an online fund transfer.
- **Risk Factor:** Since PPF is backed by the Indian government, it offers guaranteed, risk-free returns as well as complete capital protection. The element of risk involved in holding a PPF account is minimal.

- **Real Estate**

Investment in real estate like site, flat and home construction is one of the great passions of every individual. The government is also pushing this concept by giving tax benefits. It is regarded as long term and life time investment. So, it is done by all kinds of individuals in every country. The investment in real estate is very attractive and sure over long term. The appreciation of this kind of investment depends on location. When the area is developing, automatically the investor's investment also will be growing. At present investment in real assets is booming. But a careful step has been taken regarding documents, valuation and government regulations.

- **Gold/Silver/Others**

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. Purchasing gold is of two types. Gold jewels can be purchased. It is regarded as investment as well as using jewels for wearing. It is very favorite in Indian ladies to wear jewels. But it is subjected to some costly expenses like making charges, wastages and maintenance of huge and safe custody in buildings. All these expenses are passed on to the investor. So, the investor has another opportunity to save all these luxurious expenses by investing in e-gold type of investment. Sovereign gold bond investment. It provides safety as well as offers maximum flexibility to the investor. Central government is offering 2.5% p a interest also to the investor.

Review of Literature

Geetha & Ramesh (2011), "A Study on People's Preferences in Investment Behavior" says that majority of investors in their study prefers to have investments in NSC and bank fixed deposits. All aged people prefer investments in insurance, FD, NCS, PPF, except few investors. Their second preference is investment in gold & real estate. There is no significant relation between investment avenues and gender and age groups. There is no significant relation between income & savings in investment decisions. Both primary and secondary data has been collected. The secondary data was collected from various websites like NSDL, RBI and magazines. 210 respondents have been surveyed over three months to collect primary data. The authors conclude that there are lots of investment opportunities for all kinds of investors. Investor should have time and patience to study the investment avenues.

Avinash Kumar Singh (2006), The study entitled "Investment Pattern of People" has been undertaken with the objective, to analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted. After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people who are above 50 years give importance to insurance, fixed deposits and tax saving benefits. Generally, those investors who are invested in equity, are personally follow the stock market frequently i.e. on daily basis. But those who are invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors are more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Manish Mittal and Vyas (2008) Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. This is capitalized by certain expert financial consultants. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk-taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into risk takers and risk avoiders. Those who take risk can face inflation than risk avoiders.

Objectives of the Study

- To study the investment options available to the retail investors in India.
- To study the risk-taking attitude of the investors.

Analysis and Discussions

Respondent's Profile

Gender	Number	Percentage	Age (Years)	Number	Percentage
Male	25	50	Less than 30	8	16
Female	25	50	30 – 40	37	74
Total	50	100	40 – 50	5	10
			Total	50	100

Education	Number	Percentage	Occupation	Number	Percentage
PUC	2	4	Private	7	14
Degree	9	18	Public	23	46
PG	33	66	Business	20	40
Professional	6	12	Profession	-	-
Total	50	100	Total	50	100

Monthly Income(Rs)	Number	Percentage	Monthly Savings (Rs)	Number	Percentage
Less than 50,000	10	20	Less than 10,000	10	20
50,000 – 1,00,000	19	38	10,000 – 25,000	13	26
1,00,000-2,00,000	16	32	25,000 – 50,000	7	14
Above 2,00,000	5	10	Above 50,000	20	20
Total	50	100	Total	50	100

Factors	Number	Percentage	Purpose of Invst	Number	Percentage
Risk	22	44	Retirement Plan	22	44
Safety	22	44	Home Construction	20	40
Experiment	6	12	Children Marriage	7	14
Others	00	00	No Purpose	1	02
Total	50	100	Total	50	100

Investor's Awareness about Investment in Mutual Fund, Equity & SIPs

	Mutual Funds	Equity	SIPs
I am aware and I am investing in	02	02	10
I am aware and I am not investing in	12	04	25
I am not aware and I am investing in	18	10	18
I am not aware and I am not investing in	68	84	47
Total	100	100	100

Hypothesis Testing

H₀: There is No Significant Correlation between Income and Savings.

H₁: There is a Significant Correlation between Income and Savings.

Test Results and Interpretation

Since the calculated Chi-square value (7.176) is less than the table Chi-square value (16.919), it can be concluded that there is no significant correlation between Income and Savings.

Hypothesis Testing

H₀: There is No Significant Impact of Gender on Factors to be considered while investment.

H₁: There is a Significant Impact of Gender on Factors to be considered while investment.

Test Results and Interpretation

Since the calculated Chi-square value (1.576) is less than the table Chi-square value (5.991), it can be concluded that there is no significant impact of Gender on factors to be considered while investment.

Findings of the Study

- Around 44% of respondents felt that Risk is the main factor to be considered while taking decision of investment and another 44% of respondents felt that Safety is the main factor to be considered while taking decision of investment.
- Around 44% of respondents have purpose of retirement while taking decision of investment, another 40% of respondents have purpose of home construction and 2% of them have no purpose while investing.
- Around 2% to 10% of respondents are aware about mutual funds, direct investment in Equity and Systematic Investment Plans and they investing also in these financial products.
- Around 12% to 25% of respondents are aware about mutual funds, direct investment in Equity and Systematic Investment Plans but they are not investing in MFs, Equity & SIPs.
- Around 18% of respondents are not aware about mutual funds, direct investment in Equity and Systematic Investment Plans but they are investing in MFs, Equity & SIPs.
- Majority (more than 50%) of the respondents are not aware about the benefits of financial products and they are excluded from the benefit of savings and investments.
- Majority of Indian investors (more than 90%) are fear about direct investment in share markets, so they are investing in real estate, gold and chit funds.
- There is revolution in investment activities especially after Covid Lock Downs. Work from home and job losses are forcing drives to open demat accounts.
- Online programs are impacting positively on investment awareness activities. Since, it is convenient and free of cost to people, they are interested in financial education.
- Youtube vedios are playing a vital role in educating and motivating younger Indian generations to take bold decision of investment in share and bonds.

Suggestions

- Financial education is a must to avoid fear risk to investors. The SEBI sponsored programs must be utilized by people to get more financial education.
- Investors must fix the purpose of investment like home construction, retirement plan and children education. The purpose must be written to recall often and often.

- Mutual fund and SIP investments are not much attractive. So, people have to get awareness about direct equity investment activities.
- Online and offline programs must be utilized by Arts, Commerce and Science graduates to have more financial education about SIPs, SEPs and direct equity investments in blue chip companies.
- There should be more focus on long term investments in time horizon of above 10 years.
- Big investment Gurus like Warren Buffet, Radhakrishna Dhamani, Benjamin Franklin's thoughts and quotes can be applied for deciding investment activities.
- Practical exposure must be given to all streams of students such as Commerce, Arts and Science about risk appetite.
- The websites such tickertape, screener and money control apps can be learnt by common man in a small span of time.
- Patience is the high investment in the share market. It can be applied by youth while taking investment decisions.
- Self-discipline and commitment is a must for the financial education.

Epilogue

The above empirical study reflects that there are ample of investment options such as real estate, gold, bonds, mutual funds, SIPs, Insurance, equity etc. The Indian government and regulatory bodies like Reserve Bank of India, Securities Exchange Board of India are playing a pivotal role in education Indians about Savings and Investments. But it is high duty of Individual person to move from wasting their valuable time on social media. They can make use of social media like face book, wats app, youtube for education themselves at convenient time, place and cost. So, there is a need to take a major shift from entertainment-oriented mind set to enlightenment mind set. There is Lot of Opportunities for Learning to everyone. But it is the duty of everyone to be financially educated.

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