Investors Behaviour in Various Investmentavenuesinindia-An Overview

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Abstract— This study deals with the behaviour of the investor to identify the better investment avenues available in India. The investment strategy is a plan, which is created toguideaninvestortochoosethemostappropriateinvestmentportfoliothatwillhelp them to achieve their financial goals within a particular period of time. By increasing personal wealth, investing can contribute to higher, overall economic growth and prosperity. The process of investing helps companies where they can raise their capital through financial markets. Specific types of investments provide other benefits for the investor, corporate as well as the society. The Indian investors are very much aware about the concept of portfolio allotments and risk and return of the investment. The mantra of the investment is Prevention is better than Cure" which is expected with more in come but less risk.

Keywords: Investment Strategy, Investment Portfolio, Risk and Return, wealth management investment alternatives.

I. INTRODUCTION

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his saving Investment benefits both economy as well as the society. It is the way of growth of economic development and the maturation of modern capitalism. For the economy as a whole, aggregate investment sanctioned in the current period is a major factor in determining aggregate demand and, hence, the level of employment. In the long term, current investment determines the economy's future productive capacity and, ultimately, a growth in the standard of living. By increasing personal wealth, investing can contribute to higher overall economic growth and prosperity. The process of investing helps to create financial markets where companies can raise capital. This too, contributes to greater economic growth and prosperity. Specific types of investments provide other benefits to society as well.

INVESTOR

An investor is who makes an investment into one or more categories of assets-equity, debt securities, real estate, real assets, currency, commodity, derivatives etc. with the objective of making a profit.

INVESTMENT

Investment refers the commitment of fund for certain rate of return in future. It is the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in a bank account with the aim of generating future returns. Various investment options are available, offering, differing risk-reward tradeoffs.

II. REVIEW OF LITERATURE

A. Kartasova J (2013) aimed at identifying the factors that frame irrational individual investors' behaviour in the Lithuanian stock market. To analyze those factors, author employed the methods of literature survey, comparison of theoretical insights, networking, benchmarking analogy and generalization. However the complete response was received from only 404 respondents. Analysis was done using basic statistical tools. Based on the analysis author concluded that the individual investors in Lithuania suffered from all basic biases but overconfidence, anchoring, mental accounting and herd behaviour had greater influence on their financial decision-making process. He also asserted that the influence of factors forming irrational individual investors' behaviour depends on their personal characteristics such as age, experience, gender and profession.

Choudhury A K (2013) examines the meaning and importance of behavioural finance and its applications in investment decisions. This conceptual paper provides an explanation why investor makes irrational financial decisions. It demonstrated how emotions and cognitive errors influence investors in the decision making process. The author found that various causes that influence investors' investment decisions are Anchoring, Overconfidence, Herd Behaviour, over and Under-reactions and Loss Aversion. In essence, behavioural finance approach investigates the behavioural patterns of investors and tries to understand how these patterns guide investment decisions. It provides a framework for evaluating active investment strategies for the investors.

Bisen V and Pandey M (2013) Aimed at identify those psychological factors that play an important role in decision making process of investors. Authors also threw a light on how standard and behavioural theories contradict modern financial theories.

Survey method was used with questionnaire to collect required data. The sample size used for the study was 195 respondents. The hypothesis was designed and tested using Chi-square analysis. They found that loss aversion is greater sensitivity to losses to gains and they found that the difference in investor's behaviour when stock is losing in the market and when it is gaining.

Kabra, Mishra and Dash (2010) Aimed at gaining knowledge about key factors that influence investment behaviour and how these factors impact investors' risk-tolerance and decision making process among men and women at different age groups. This study followed survey research methodology. Primary data was collected through questionnaire administration. The data were analyzed using standard techniques like factor analysis, regression analysis and other basic statistical tools. The sample used for the study was regular investors. The perceptions of the investors were analysed through SPSS and concluded that, though investors are in new information age, are mature enough and groomed adequately, they prefer investments according to their risk preferences and they were found to be in trap of cognitive illusions, such as overconfidence and narrow framing. Finally, it has been proved that investors' age and gender predominantly decides the risk-taking capacity of investors.

Chandra, A., (2008) attempted to explore the impact of behavioural factors and investors' psychology on their investment decision making and to examine the relationship between investors attitude towards risk and behavioural decision making process. Author used literature survey to study the behavioural decision making and investors' psychology. In this descriptive study author used secondary data related to investments, finance and economics. The results show that unlike the classical finance theory, individual investors often do not make rational decisions. Further results reveal that the investor decision making influenced by behavioural factors such as greed and fear, cognitive dissonance, heuristics, mental accounting and anchoring.

Kahneman D and Tversky A (1979) Proposed an expected utility theory as a descriptive model of decision making under risk and paves for development of an alternative model called prospect theory. However, this study proves that expected utility theory is not an adequate descriptive model and they propose an alternative account of choice under risk. Decision making risk viewed as a choice between prospects or gambles in contrast that brings outcome with some probability in comparison that are obtained with certainty this tendency called as the certainty effect. This effect contribute to risk aversion in choices involving sure gains and to risk seeking in choices involving sure losses. In this study authors developed an alternative theory OD choice in which value is assigned to gains and losses rather than to final assets and probabilities are replaced by decision weights. Value function is normally concave for gains and convex for losses and steeper in general for losses than gains. This analysis of risky options has developed two themes/ first, concerns editing operation that determine hoe prospect are perceived and second theme involves the judgmental principles that govern the evaluation of gains and losses and weighting of uncertain outcomes.

INVESTMENT OBJECTIVES

The main investment objectives are increasing the rate and reducing the risk. Other objectives like safety, liquidity and hedge against inflation can be considered as subsidiary objectives.

RETURN

Investors always expect a good rate of return from their investments. Rate of return could be defined as the total income the investor receives during the holding period stated as a percentage of the purchasing price at the beginning of the holding period.

RISK

Risk of holding securities is related with the probability of actual return becoming less than the expected return. The word risk is synonymous with the phrase variability of return.

LIQUIDITY

Marketability of the investment provides liquidity to the investment. The liquidity depends upon the marketing and trading facility.

$$\text{Return} = \frac{\textit{End period value} - \textit{Dividend}}{\textit{Beginning period value}} \times 100$$

HEDGE AGAINST INFLATION

Since there is inflation in almost all the economy, the rate of return should ensure a cover against the inflation. The return rate should be higher than the rate of inflation; otherwise the investor will have loss in real terms. Growth stocks would appreciate in their values overtime and provide a protection against inflation. The return thus earned should assure the safety of the principal amount, regular flow of income and be a hedge against inflation.

There are Various Investment opportunities available in India :-

Safe/Low Risk Opportunities:

- Savings Account
- Bank Fixed Deposits
- Public Provided Fund
- National Savings Certificate
- Post Office Savings
- Government Securities

Moderate Risk Opportunities:

- Mutual Funds
- Life Insurance
- Debentures
- Bonds

High Risk Opportunities:

- Equity Share Market
- Commodity Market

Market Traditional Opportunities:

- Forex
- Real Estate
- Gold/Silver

III. DESCRIPTION ON VARIOUS INVESTMENT OPPORTUNITIES

SAVINGS ACCOUNT:-

As the name signifies that the account is perfect for parking transitory savings. These accounts are general deposit accounts for individuals and provide cheque facility with lot of flexibility for deposits and withdrawal of funds. Many banks have instructions for the maximum number of withdrawals in a period and the maximum amount of withdrawal, but no bank imposes. Due to some condition the bank tries to control with these rules and instructions, if it is felt that the

account is being misused as a current account. At the moment Indian banks are offering 4-7% p.a. interest rate on such deposits.

This account gives privilege to the customer to withdraw money as and when the need arises. The rate of interest is much less than fixed deposits such accounts should be treated as a transitory parking extent. One's savings accumulated in account can be shifted to fixed deposit if the customer doesn't require that amount for a definite period of time.

FIXED DEPOSITS/TERM DEPOSITS:

The term "fixed" in fixed deposits signifies the period of maturity or tenor. Fixed deposit is a pre-plan length of time for which the depositor decides to save the money with the bank and the rate of interest is payable to the depositor at maturity. Rate of interest differs from bank to bank and plan to plan. Generally, the rate is utmost for deposits for 3-5 years. Deposits can be redeemed before the maturity period; however, the amount of interest of the depositor goes down.

Therefore, the depositors are supposed to continue such fixed deposits for the duration of time for which they have decided to keep the money with the bank.

PUBLIC PROVIDENT FUND (PPF):

PPF is a 30-year-old constitutional plan of the Central Government happening with the objective of old age profits, security to the unrecognized division of workers and self-employed persons. Currently, there are nearly 30 lakhs PPF account holders in India crossways banks and post offices.

NATIONAL SAVINGS CERTIFICATE (NSC):

National Savings Certificate (NSC) is a long term instrument for investment on fixed interest. NSC is backed by the Government of India, hence they are a practically risk free opportunity of investment. They can be bought from authorized post offices. NSC's have a maturity of 5 years. They offer 8.4% interest rate.

NSC's are exempted under Section 80C 0f the Income Tax Act. Even the interest earned exempted, under Sec 80C.

POST OFFICE SAVINGS:

There are numerous investment schemes offered by post offices, like KVP (Kisan Vikas Patra), MIS (monthly Income Scheme) and many others. All schemes are entirely risk-free, and with small amount one can start investing. Some schemes offered are Tax-saving benefits and the investor can select the scheme as per their requirements.

GOVERNMENT SECURITIES (G-sec's):

Government securities (G-sec's) are supreme securities which are issued by the Reserve Bank of India on behalf of government of India in lieu of the Central government's market borrowing program.

The term Government Securities includes:

- Central Government Securities
- State Government Securities
- Treasury bills

The GOI borrows funds to finance its 'fiscal deficit'. The market borrowing of the central government is increased through the issue of dated securities and 364 days treasury bills either by auction or by flotation of loans. The GOI can issue treasury bills of 91 days for managing the temporary cash mismatches.

MUTUAL FUNDS:

An investment firm may be a professionally-managed firm of collective investments that pools cash from several investors and invests it in stocks, bonds, short term securities, industry instruments, and/or different securities. In a mutual fund, the fund manager (portfolio manager), trades the fund's underlying securities, realizing capital gains or losses, and collects the dividend or interest

financial gain. The value of a share of the investment firm, NAV is calculated daily.

LIFE INSURANCE:

Life insurance may be a contract between the policy owner and insurance firm, and the insurance firm agrees to pay quantity of cash upon the unfortunate incident happen to the insured individual or individual's death or other event, like terminal illness. In return, the policy owner agrees to pay a premium at regular intervals or in bulge total. Like other insurance policies, life insurance is also a contract between the insurer and the policy owner whereby a benefit is paid to the nominated beneficiaries if an insured event occurs which is covered by the policy.

BONDS & DEBENTURES:

Bonds & debentures, these 2 words are often used interchangeably. In Indian markets, we tend to use the word bonds to point debt securities issued by government, semi-government bodies and public sector money establishments and corporations. We use the word debenture which is referred to the securities issued by private sector companies.

Bonds – Debt securities issued by govt. or public sector companies Debentures – Debt securities issued by non-public sector corporations

When you purchase a bond, you're loaning cash to a government, municipality, corporation, or public entity referred to as the establishment. The institution guarantees to pay a rate of interest throughout the lifetime of the bond, in return for the loan. They additionally guarantees to repay the face worth of the bond (the principal) once it "mature".

Following are allowed to issue bonds

- Government
- Municipalities
- Variety of institutions
- Corporations

DEBENTURES:

A debenture is unsecured certificate of loan showing the figures that the company is responsible to pay a definite amount with interest (fixed on the basis of interest rates) and therefore the principal quantity whenever the debenture matures.

STOCK MARKET:

Stock market is the collection of buyers and sellers of stocks also called shares, which represent ownership claims on businesses. Stock market trading consists of buy and sell of equity in cash and derivatives markets. The trading of equity usually takes place in a stock exchange to those companies which are listed. This trading market provides with substantial earnings potential and is one amongst the foremost standard investment choices.

Stock market business happens at physical securities market, where buyers and sellers of company meet and agree on the share price at which the transactions would materialize.

COMMODITY TRADING:

The term "commodities" and "futures" are often used to depict commodity trading or future trading. Commodities are actually in physical merchandises like gold, crude oil, corn, soybeans etc. Futures are contracts of commodities that are listed at a commodities exchange like MCX. Apart from numerous regional exchanges, India has three national commodities exchange namely, Multi Commodity Exchange (MCX), National Commodity Exchange (NCDEX) and National Multi-Commodity Exchange (NMCE). Forward Markets Commission (FMC) is the regulatory body of commodity market.

It is one of a few investment areas where an investor, with a limited capital can create extraordinary profits in a comparatively short period of time. Unlike other types of investments, such as stocks and bonds, when you trade futures, you do not really buy anything or own anything, investors are speculating on the future of price in the commodity for trading.

FOREX MARKET:

Forex trading is an immediate trade of one currency along with other. Currencies are traded through an agent or dealer and are traded in pairs. For example Euro (EUR), US dollar (USD), British pound (GBP) or Japanese Yen (JPY). In trading no physical transaction occur.

REAL ESTATE:

Investments in Indian real estate have been strongly taking over alternative options for domestic as well as foreign investors.

The boom by the Federation of Indian Chambers of Commerce and Industry (FICCI) and Ernst & Young has predicted that Indian real estate industry is poised to emerge as one of the foremost preferred investment destinations for global realty, and investment, by firms in the next few years. The potential of India's property market has a revolutionizing impact on the whole economy in India as it transforms the skyline of the Indian cities mobilizing investment segments ranging from commercial, residential, retail, industrial, hospitality, healthcare etc. but maximum progress is accredited to its growth from the booming IT sector, since an estimated 70 per cent of the new construction is for the IT sector.

INVESTMENT IN GOLD:

Gold possesses a lot of emotional importance than monetary value in India and is the largest consumer of gold in the world. In western countries, it was found that most of their gold is in their central banks but in India there are tendency to

use gold mainly as jewels. Take the gold in a business sense, it is clearly understood that gold is one of the all-time best investment tool.

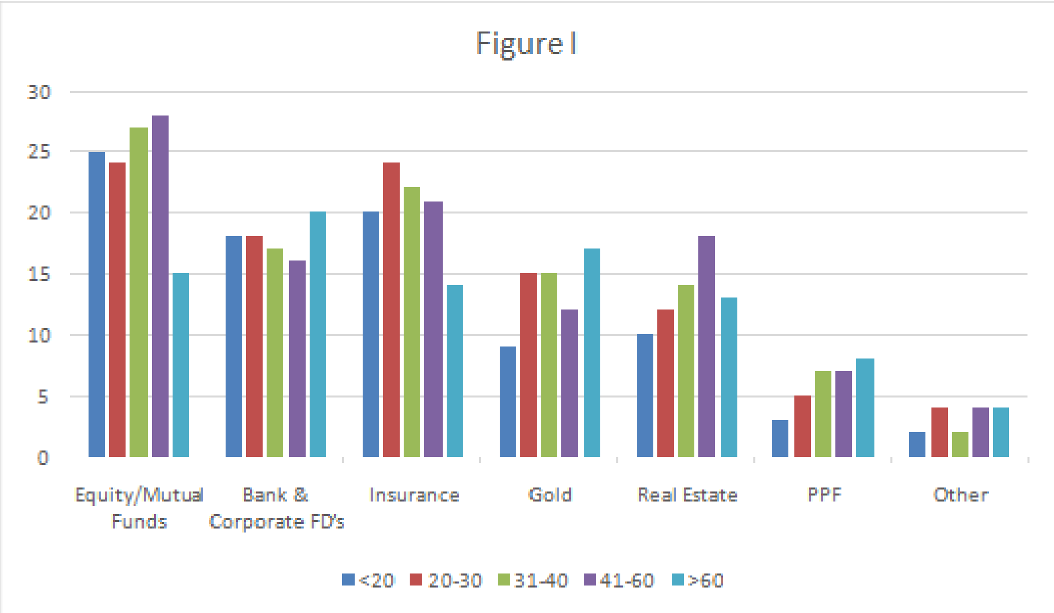
Gold, as an investment tool continually provides good returns, flexibility, safety and liquidity to the investors. Therefore, allocate a portion of your portfolio for gold investments also and practice the habit of buying at least one gram of gold quarterly, half yearly or yearly.

IV. ANALYSIS AND INTERPRETATION:-

Investment preference among varies age groups:

Table 1 (In years)

Investment Opportunities	<20	20-30	31-40	41-60	>60
Equity/Mutual Funds	25	24	27	28	15
Bank & Corporate FD's	18	18	17	16	20
Insurance	20	24	22	21	14
Gold	9	15	15	12	17
Real Estate	10	12	14	18	13
PPF	3	5	7	7	8
Other	2	4	2	4	4



- Interpretation:

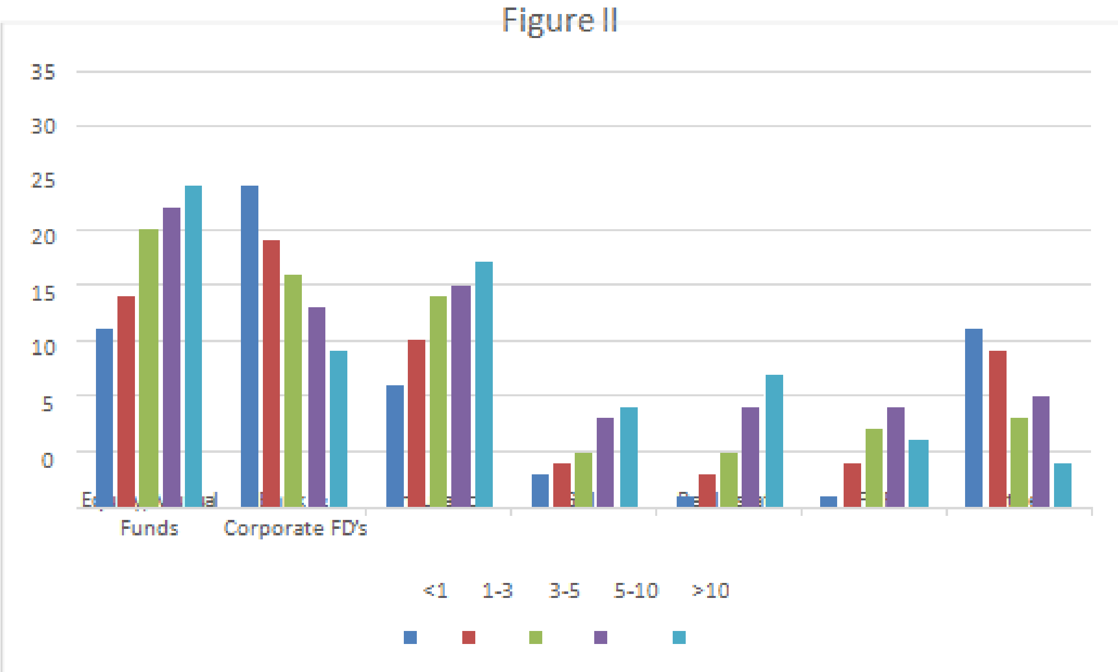
From the above Table I and Figure I we can conclude that, all the age groups are giving more preference on investing in equity, except those more than sixty years. And the second more preferable investment opportunity is insurance. But the age group which is more than sixty years gives more preference to invest in bank/ corporate FD's and Gold.

Investment preferences among various income levels:

Table II (In lacs)

Investment Opportunities	<1	1-3	3-5	5-10	>10
Equity/Mutual Funds	16	19	25	27	29

Bank & Corporate FD’s	29	24	21	18	14
Insurance	11	15	19	20	22
Gold	3	4	5	8	9
Real Estate	1	3	5	9	12
PPF	1	4	7	9	6
Other	16	14	8	10	4



- Interpretation:

The above Table II and Figure II reveals that higher income levels are giving more preference to invest in equity whereas lower incomes levels are giving more preference to invest in bank deposits. It implies that the higher income level groups are preferred to take more risk in investment rather than lower income level.

V. CONCLUSION

The individual investors still prefer to invest in financial product which gives risk free returns. Large numbers of portfolio is not good for healthy investment. The Indian investors are very much aware about the concept of portfolio allotments and risk and return of the investment. In India, purchase of gold and land are the two most ideal form of investment. Its carry good return and appreciation. This confirms that that Indian investors even if they are high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design product which can cater to the investors who are low risk tolerant. Women are the deciding factor of the family. They followed the mantras □Prevention is better than Cure”. They expect more income but less risk.

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