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A study on investor behaviour and preferences across diverse investment avenues with special reference to Pandalur Taluk

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Abstract
This study explores investor behavior and preferences across diverse investment avenues with special reference to Pandalur Taluk. As the financial landscape evolves, individuals are presented with numerous options, ranging from traditional instruments like fixed deposits and government-backed schemes to modern, market-linked investments such as mutual funds and crypto currencies. The primary objectives of this study are to identify the range of investment options available, analyze investor preferences toward these avenues, and investigate the challenges faced by investors in making informed decisions. By understanding the key factors influencing investment choices, including risk tolerance, financial literacy, and demographic characteristics, this research aims to provide valuable insights into how investors in Pandalur Taluk navigate the complexities of the financial market. The findings can assist financial advisors, policymakers, and investors in improving investment strategies and overcoming common challenges in various investment avenues.

Keywords: Investor behavior, investment options, financial literacy

Introduction

Indian financial scene too presents a plethora of avenues to the investors. Through certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. Investment benefits both economy and the society. It is an outgrowth of economic development and the maturation of modern capitalism. People started to learn the art of balancing their investment and expenses. Some of them lost their investment in form of expenses or losses, while others started gaining in the form of profit. Afterwards, to handle or manage their investments properly they engaged in a new concept called portfolio management. People started saving and doing investment in order to gain more and more profit.

Sometimes people had more money than they actually wanted to spend or on the other side some people have less money to purchase. Therefore, to meet this deficiency people started borrowing and investing their money to meet future needs. 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. If they had excess amount left with them they start to bury in the backward for future. When a hard time comes, they utilize this sources which was saved in the past. Through this way they started to know about the importance of saving. After a long period of study people realized that a proper system should be framed to carry out this task smoothly. Then they formed a system and gave a proper name called “Investment”. People engaged in investment started to be known as “Investors”. How and where the people invest their hard earn money is an important decision. Investment is the application of money for earning more money. The investment basically refers to the buying of financial product or any value item with anticipation that positive returns will be received in future. People are earning but they do not know where, when and how to invest their funds or money earned by them. A proper understanding of money, its value, the available investment avenues, the rate of return/risk etc. are very important to successfully manage ones finance for achieving future goals.

The study basically focuses on various investment avenues and what factors are considered for making an investment. It also deals with the behavior of the investor to identify the better investment avenues available in India. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time. By increasing personal wealth, investing can raise their capital through financial markets. Specific type of investments provides 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 returns of the investment. The mantra of the investment is “Prevention is better than Cure” which is expected with income but less risk.

Objectives of the study

- To study about the various investments available in the market.
- To study the investors preference towards the investment avenues.
- To identify the problems faced by the investors while making investments in certain investment avenues.

Review of literature

Parimalakanthi (2017) [1], carried out examination with list the of Investment avenues available. Find out the information seeking behavior of Investors and their effectiveness. Investors assess the risk exposure, factors affecting the Investment decision to find out the risk tolerance level of each investor with respect to demographic variables. The author concluded that security was also a leading preferred feature in fixed income and investment for safety. The capital approval was the prime favored aspect in long-term investment. Extra income was the most chosen part on liquidity investments.

Kanagaraj (2017) [2], explored that the impact of a study on perception of women investors towards investments carried out survey with measure the level of awareness among the women investors' about various features about investment and ascertains the investment pattern and factors influencing investment decision of the women investors'. Author indicated there, various investments opening available, majority of the women investors' only preferred chit funds, insurance and bank deposits so, open exposure must give about the feature of the investments.

Veeramani (2018) [3], carried out what are the factors, which influenced man, women and different age group to choose a particular investment or company analyzed by making use of standard techniques of factor analysis, regression analysis and other basic techniques. Finally, they concluded that risk and return factors decided the investors' decision.

Alagu Pandian (2018) [4], attempted to show the key of various investment avenues explored the total liquidity, income stability, a variety of investment avenues are available as share, bank, companies, gold and silver, real estate, life insurance, postal and so on. Therefore, all the investors invested their money to get more and more return. In this fast-moving world, we can earn more and more money more risk leads to more profit. Investors cannot avoid risk but they can cut down the risk by investing their money. The researchers conclude that most of the investors prefer bank deposit followed by gold investment.

Overview of investment and investment avenues

Financial investment are made with the future desire of making just financial return as far as income from the organization in which investment is being done. Most investors want to make investment in such a way that they get sky-high returns as quickly as possible without the risk of losing principal money. This is the reason why many are always on the lookout for top investment plans where they can double their money in few months or years with little or no risk.

However, a high-return, low-risk combination in an investment product, unfortunately, does not exist. Maybe in an ideal related, they go hand-in-hand, i.e., the higher the returns, higher the risk and vice versa.

While selecting an investment avenue, we have to match our own risk profile with the associated risks of the product before investing. There are some investment carry high risk but have the potential to generate higher inflation-adjusted returns that other asset class in the long term while some investment come with low-risk and therefore lower returns.

Investment

Investment is defined as "a commitment of funds made in the expectation of some positive rate of return since the return is expected to realize in future". Investment refers to the concept of deferred consumption, which involves purchasing an asset, giving a loan or keeping funds in bank accounts with the aim of generating future returns. Various investment options are available, offering, differing risk-reward tradeoffs. An understanding of the core concepts and a thorough analysis of the options can help an investor create a portfolio that maximizes returns while minimizing risk exposure.

Investor

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

Investor behaviour

Investor behavior is defined as how the investors judge, predict, analyze and review the procedure for decision making, which include investment psychology, information gathering, defining and understanding, research and analysis.

Various investment avenues

1. Bank Fixed Deposit (FD): A fixed deposit (FD) is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than a regular saving account, until the given maturity date. The interest rate varies between 4 and 7.50 percent.

2. Mutual funds: A mutual fund is an open-end professionally managed investment fund that pools money from many investors to purchase securities. Mutual funds are "the largest proportion of equity of U.S corporations". Mutual fund investor may be retail or institutional in nature. There are mainly two types of mutual funds.

3. Life Insurance Policies: Life Insurance can be defined as a contract between an insurance policy holder and an insurance company, where the insurer promises to pay a sum of money in exchange for a premium, upon the death of an insured person or after a set period.

4. Gold: A gold fund is a type of investment fund that holds assets related to gold. The two most common types of gold funds are those holding physical gold bullion, gold futures contracts, or gold mining companies. Gold funds are popular investment vehicles among investors who wish to hedge against perceived inflation risks.

5. Real Estate: Real Estate investing involves the purchase, ownership, management, rental and/or sale estate for profit. Real estate is an asset form with limited liquidity relative to other investments, it is also capital intensive and highly cash flow dependent. If these factors are not well understood and managed by the investor, real estate becomes a risky investment.

6. Post Office Savings: The post office saving account is a deposit scheme by the post office throughout India. The account provides a fixed interest rate on the account balance. It is a beneficial scheme for individual investors who wish to earn a fixed rate of interest by investing a significant portion of their financial assets.

7. Direct Equity: When a company offers its shares to the public for the first time it is called as IPO. In an IPO the company sells a certain percentage of its ownership to the public at certain price. When we invest in equity shares of a company. We are in legal terms buying the ownership of the company.

8. National Pension System (NPS): NPS is a defined contribution based Pension Scheme launched by Government of India with the following objective. To provide old age income. Reasonable market based returns over long run. Extending old age security coverage to all citizens. This system is managed by Pension Fund Regulatory and Development Authority (PFRDA).

9. Public Provident Funds (PPF): Public Provident Fund is a tax-free saving scheme regulated by the Indian Government. It is a long-term investment scheme with a lock-in period of 25 years. Individual can start investing in PPF with a minimum amount of Rs.500 p.a. The interest rate is set and paid by the government for every quarter.

10. Senior Citizen's Saving Scheme: The Senior Citizen Saving Scheme or SCSS is a short-term government saving scheme meant for the Indian citizens of the age of more than 60 years. The Senior Citizen Saving Scheme is backed by the government of India on which regular interest is paid and allows premature withdrawals with minimum penalty.

Problems faced by the investors

1. Sudden Loss: Investors may experience a sudden loss in the value of their investments due to unexpected market volatility, economic downturns, or global events. Market-linked investments such as stocks, mutual funds, or crypto currency are particularly susceptible to rapid fluctuations. This can result in a significant reduction in the value of an investor's portfolio, especially for those who are not prepared for high volatility or have invested without adequate risk management strategies.

2. Didn't Get Expected Return: Investors often have specific expectations about the returns they will receive based on historical performance, market trends, or projections given by financial advisors. However, factors such as lower-than-expected interest rates, inflation, company underperformance, or economic slowdowns can lead to returns falling short of investor expectations. This is especially true for fixed-income investments like bonds or fixed deposits, where inflation can erode real returns over time, or for market-linked investments where projected returns may not materialize.

3. Fake Scheme: Unsuspecting investors may fall prey to fraudulent or fake investment schemes, which promise high returns with little to no risk. Scammers often lure investors into Ponzi schemes, pyramid schemes, or unregistered investment programs that eventually collapse, leaving investors with significant financial losses. This is particularly prevalent in regions where financial literacy is low, and investors may not have the tools to critically evaluate the legitimacy of an investment opportunity before committing their funds.

4. Lack of Financial Literacy: Many investors, especially in rural areas, may not have sufficient knowledge of financial markets, investment products, or the risks associated with certain investments. This lack of understanding can lead to poor investment decisions or susceptibility to scams.

Data analysis and interpretation

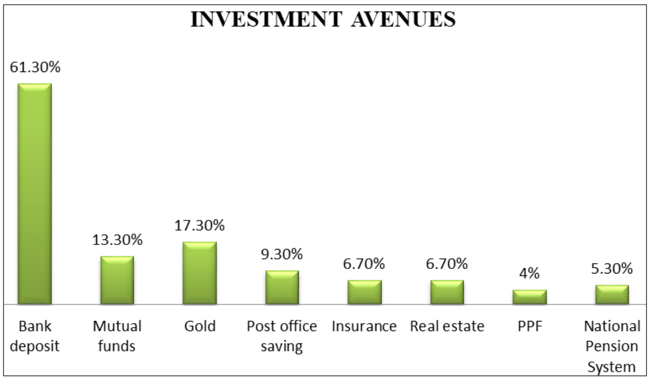

Fig 1: Most preferred Investment Avenue

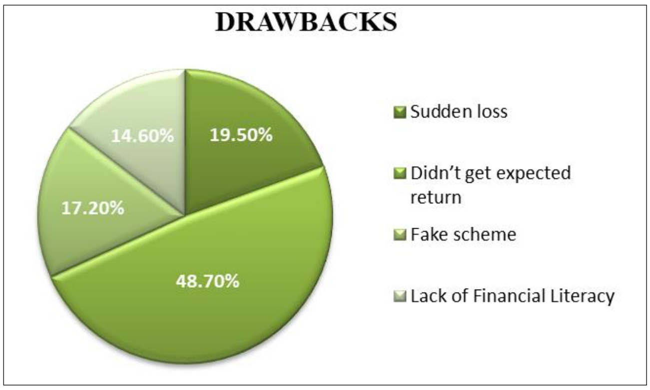

Fig 2: Draw backs while making investment

Result and discussions

Figure 1 states the percentage of type of investment avenues preferred the most by the respondents, 61.3% of the respondents prefer bank deposit, 13.3% of the respondents prefer mutual funds, 17.3% of the respondents prefer gold, 9.3% of the respondents prefer post office saving, 6.7% of the respondents prefer insurance, 6.7% of the respondents prefer real estate, 4% of the respondents prefer PPF, and 5.3% of the respondents prefer National Pension System. Hence the above research find that the majority of the respondents mostly prefer bank deposit.

Figure 2 states the percentage of drawbacks faced by the respondents, 19.5% of the respondents says sudden loss as their drawback, 19.5% of the respondents says didn't get expected return as their drawback, 48.7% of the respondents says fake scheme as their drawback, and 19.5% of the respondents says lack of financial literacy as their drawback, Hence the above research finds that the majority of the respondents say they didn't get expected return as their draw back while making investment.

Conclusion

This study confirms the earlier findings with regard to the relationship between age and income level of the individual investors. The individual investors still prefer to invest in financial product which give risk free returns. Large numbers of portfolio is not good for healthy investment. The rural investors are not much aware about the concept of portfolio allotments and risk and return of the investment. In the field of investment purchase of gold and land are the two most ideal form of investment. Its carry good return and appreciation. Even though most of the investors prefer bank as they major investment alternative. All the other alternatives come after that. This confirms that the investors even if they are high income, well educated, salaried, independent they are conservative investors and they prefer to play safe and they are expecting high return.

As this study is done in a rural area here the investors choose only a limited number of investment avenues which are most familiar among the people like bank deposits, gold, life insurance, post office savings, mutual funds etc. These investors cannot tolerate high risk. Therefore the investment product designers can design product which can supply to the investors who are low risk tolerant. As 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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