



A STUDY ON THE INVESTMENT PATTERN OF SELECTED FINANCIAL PRODUCTS



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ABSTRACT

Investment is seen as a fascinating activity now days. It is a major decision which determines the future of any individual. It determines not only the future of individual but also the fortune of the economy of the country. In India, house hold is the largest segment which contributes to the capital formation of the country. But still when we observe the past studies and research we see that investors are risk averse and they incline to the traditional investment avenues available. The study aims at identifying the preference of investors towards selected financial products. It aims at identifying the factors influencing the investment decision and the investment characteristics with reference to selected financial products. From the study it was identified that they are risk averse and don't want to risk their hard earned money. The traditional investment avenues like bank deposits, post office savings, and life insurance schemes still stand dearer to the investors. Only a small percentage of investors are well aware about shares, mutual funds.

KEYWORDS: Investment, savings, Capital formation, Life Insurance, bank deposits, shares and debentures.

INTRODUCTION

The economic development of any country depends on the capital formation through savings and investments. Capital formation signifies addition to the reproducible wealth of a country and it measures that part of national wealth that is retained for use in further production. The sources of capital formation can be broadly classified into domestic sources and external sources. In the domestic source the household sector contributes the most to the capital formation. The household savings can be the unaccounted savings kept in the form of gold, silver and durable goods, or in the form of physical assets including machinery, furniture, fixture and real estate and in the form of financial assets that take the form of currency, bank deposits, shares and debentures, claims on government, mutual funds, NSC, LIC, provident and pension funds. When any person has more money with him than required for current consumption can be coined

as potential investor. Earlier investment has been an activity confined to the rich and business class only but today it has become a household word and it is very popular even among the common man.

Investment is the employment of funds with the aim of earning income or capital appreciation. It involves the commitment of resources which have been saved or put away from the current consumption in the hope that some benefits will accrue in the future. The investment avenues available can be categorised in to financial investments and real investments. Real investments are represented by tangible assets like residential house, gold, etc. and financial investments include shares, debentures, mutual funds etc. Investing in financial assets like shares, debentures and bonds have become a trend. It is considered as profitable as well as exciting. In financial investments both rational as well as emotional responses



are expected from the investors. This study aims at understanding the investment pattern especially in financial assets/ products.

OBJECTIVES OF THE STUDY

The study aims at understanding the investment pattern of individuals with special reference to financial products. The objectives are as follows

- To understand the pattern of investment in financial assets
- To understand the preference of investors to different financial products.
- To know the features of investment pattern of the investors

METHODOLOGY OF THE STUDY

This is a descriptive research and survey method is adopted to collect primary data. Data was collected from investors who are investing in financial assets. Data was collected by administering a questionnaire among 40 respondents who are investing in financial assets. The respondents were selected using the non-probability convenient sampling method. Secondary data was collected for the study from published books.

THEORETICAL FRAMEWORK

Investment is an activity that is engaged in by people who have savings. Investment may mean different things to different persons. The common thing concerned with different types of investment is that it involves the employment of funds with the aim of achieving additional income or growth in values. The very essential quality of any kind of investment is that it involves the waiting for reward. As the reward is to be realised in future, there is always a chance of variation in the expected return and this can be termed as risk. So every investment will have return and risk and these two will vary according to the kind of investment.

This study concentrates only on selected financial instruments like bank deposits, non-banking deposits, life insurance schemes, provident and pension funds, government securities, shares and debentures, UTI and other mutual fund schemes.

DATA ANALYSIS AND INTERPRETATION

Demographic details of the Respondents

Table 1: Age wise classification of the respondents

Age	Number of Respondents
Below 25	6
25-35	19
35-45	11
Above 45	4

Source: Primary Data

Table shows the age wise classification of the respondents who are investing in financial assets.

Table 2: Education wise classification of respondents

Educational qualification	Number of respondents
Up to SSSLC	3
Undergraduate	2
Graduate	15
Post Graduate	20

Source: Primary Data

Table 3: Occupation wise classification of respondents

Occupation	Number of Respondents
Private employees	5
Government employees	3
Professional	18
Businessmen	14

Source: Primary Data



Table 4: Income wise classification of respondents

Income	Number of Respondents
Below 20000	8
20,000-40000	18
40,000-60000	9
Above 60,000	5

Source: Primary Data

Table 5 Awareness about financial products for investment

Investment avenues	High awareness	Low awareness	No awareness	Rank
Post office savings	31 (77.5%)	9 (22.5%)	0	2
Bank deposits	40 (100%)	0	0	1
Nonbanking /corporate deposits	3 (7.5%)	4 (10%)	33 (82.5%)	9
Life Insurance	30 (75)	10 (25%)	0	3
Provident and pension fund	18 (45%)	10 (25%)	12 (30%)	5
Government securities	8 (20%)	18 (45%)	14 (35%)	7
Shares	22 (55%)	12 (30%)	6 (15%)	4
Debentures	7 (17.5%)	5 (12.5%)	28 (70%)	8
UTI and other mutual fund schemes	14 (35%)	14 (35%)	12 (30%)	6
Derivatives	2 (5%)	10 (25%)	28 (70%)	10

Source: Primary Data

Here a ranking of the various financial products available for investment are made on the basis of awareness of investors.

- ⇒ All the respondents stated that they have a high degree of awareness about bank deposits.

- ⇒ They also have high awareness about avenues like Post office savings and Life Insurance Schemes. Shares, provident fund, UTI and other mutual fund schemes, follow the awareness list.
- ⇒ The investors were least aware about Debentures, Derivatives, Corporate deposits etc.

Table 6 Investor preference of investment avenues

Preference	Post office savings	Bank deposits	Corporate Deposits	Life Insurance	Provident & Pension fund	Government Securities	Shares	Debentures	Mutual fund schemes	Derivatives
1	2	25	0	4	8	0	0	0	0	0
2	4	15	0	8	2	0	5	0	6	0
3	10	0	0	17	4	0	9	0	0	0
4	9	0	0	9	9	0	7	0	6	0
5	10	0	0	2	8	8	3	0	11	0
6	5	0	0	0	4	12	9	0	3	0
7	0	0	11	0	5	9	1	6	14	0
8	0	0	15	0	0	11	6	7	0	0
9	0	0	13	0	0	0	0	25	0	2
10	0	0	1	0	0	0	0	2	0	38
Total	40	40	40	40	40	40	40	40	40	40

Source: Primary Data

Table 7 Ranking of Investment Avenues in accordance with investor preference

Preference	Score value	Post office savings	Bank deposits	Corporate Deposits	Life Insurance	Provident & Pension fund	Government Securities	Shares	Debentures	Mutual fund schemes	Derivatives
1	10	20	250	0	40	80	0	0	0	0	0
2	9	36	135	0	72	18	0	45	0	56	0
3	8	80	0	0	136	32	0	72	0	0	0
4	7	63	0	0	63	63	0	49	0	42	0
5	6	60	0	0	12	48	48	18	0	66	0
6	5	25	0	0	0	20	60	45	0	15	0
7	4	0	0	44	0	20	36	4	24	56	0
8	3	0	0	45	0	0	33	18	21	0	0
9	2	0	0	26	0	0	0	0	50	0	4
10	1	0	0	1	0	0	0	0	2	0	38
Weighted score		284	385	116	323	281	177	251	97	235	42
Rank		3	1	8	2	4	7	5	9	6	10

Source: Primary Data

According to the preference of investors, the investment avenues are ranked.

- ⊕ Bank deposits are the most preferred investment avenue.
- ⊕ Life Insurance Schemes took the second place.

- ⊕ Post office savings, Pension and provident fund, Shares, Mutual fund schemes, Government securities, corporate deposits, debentures follows the list.
- ⊕ Derivatives is the least choice of Investors

Table: 8 Factors influencing the selection of Investment

Preferences	safety	Capital appreciation	liquidity	Income	Tax benefit
1	15	4	4	12	5
2	10	8	2	15	8
3	15	18	6	4	3
4	0	10	5	15	10
5	0	0	16	0	3

Source: Primary Data

Table: 9 Ranking the factors influencing the choice of Investment Avenue

Preferences	safety	Capital appreciation	liquidity	Income	Tax benefit
1	75	20	20	60	25
2	40	32	8	60	32
3	45	54	18	12	9
4	0	20	10	30	20
5	0	0	16	0	3
Score	160	126	72	162	89
Rank	2	3	5	1	4

Source: Primary Data

Table 8 shows the factors influencing the choice of Investment Avenue

- ⊗ Regular Income is the most influencing factor while selecting an investment avenue.
- ⊗ Safety is the second important consideration.
- ⊗ Liquidity is the least bothered factor while taking decision of Investment Avenue.

Table 10 Percentage of income used for investment

Percentage of Income	Number of Respondents	Percentage of Respondents
Below 10	4	10
10-20	13	32.5
20-30	18	45
Above 30	5	12.5
Total	40	100

Source: Primary Data

Table shows the percentage of income used by the respondents for investment purpose. 45% of the respondents invest 20% - 30% of their income

Table 11 Reason for reluctance in investing in modern financial products

Reasons	No of Respondents
Don't know the formalities	7
Fluctuations in the value of financial assets	12
Fear of loss	8
Lack of knowledge about the facilities	5

Source: Primary Data

- ◆ Fluctuation in the value of securities was stated as the most important reason for reluctance in investing in financial products like shares, debentures, mutual funds and derivatives.
- ◆ Fear of loss is also ruling the mind of investors while making investments.
- ◆ Some of the respondents stated that they are not aware about the formalities of investing in these type of financial products.
- ◆ Lack of knowledge about brokerage houses and other facilitating intermediaries also hinder the investment in these type of financial products.

Table 12 Source of Information for the selection of Investment Avenue

Source of information	Number of respondents
Friends/Colleagues	6
Family Members	4
Financial consultants	8
Newspapers/BusinessMagazines/TV Channels	22

Source: Primary Data

- ☒ Majority of the respondents rely on newspapers, business magazines, and TV channels as a source of information for taking investment decisions.
- ☒ Next choice for the source of information is financial consultants or brokerage institutions which help in trading of securities.
- ☒ Friends and colleagues who are investing in securities also give information about investment avenues.
- ☒ Only 10% of the respondents rely on their family as a source of information

Table 13 Owns Dematerialisation Account

Options	Number of Respondents	Percentage of Respondents
Yes	17	42.5
No	23	57.5
Total	40	100

Source: Primary Data

Only 42.5% of the respondents had opened a Demat account for securities trading

Table 14 Awareness about Initial Public Offer of shares

Options	Number of Respondents	Percentage of Respondents
Yes	19	47.5
No	21	52.5
Total	40	100

Source: Primary Data

47.5% of the respondents are aware about the IPO of new shares. Others are not conversant about IPO

Table 15 Monitoring of Investments

Way of monitoring	Number of respondents
Self-monitoring	23
With the help of institutional intermediaries	17

Source: Primary Data

- * 57.5% of the respondents stated that they themselves evaluate and manage their investments.
- * Only 42.5% Of the respondents rely on brokerage institutions to manage their investments.

Table 16 Choice of institutional intermediaries for monitoring the investments

Institutions	Number of respondents
Sharekhan limited	2
Geojit BNB Paribas	9
Hedge equities	6

Source: Primary Data

- ☆ 9 among 17 respondents stated that they chose Geojit BNB Paribas as brokerage house.
- ☆ The second choice was hedge equities.
- ☆ 2 of them had chosen Sharekhan limited as their intermediary institution.

Table 17 Suggestions to the institutional intermediaries

Options	Number of Respondents	Percentage of Respondents
Yes	4	23.53
No	13	76.47
Total	17	100

Source: Primary Data

- ◇ This table reveals that 76% of the respondents give suggestions for selecting the appropriate securities to invest.
- ◇ 24% of the respondents had left the decision to the brokerage houses for selecting the securities.

FINDINGS OF THE STUDY

- ⇒ Investors had very high awareness about financial products like bank deposits, Post Office Saving Schemes, Life Insurance Schemes. Investors are least aware about corporate deposits, debentures and derivatives
- ⇒ Bank deposit is the most preferred investment avenue. Other traditional avenues like Insurance schemes, post office savings, and Provident fund are also welcoming to the investors. Debentures, Company Deposits, Derivatives are the least desirable investment avenues.
- ⇒ Regular Income was the most attracting factor while selecting investment avenues. Liquidity is the least considered factor. Safety and capital appreciation are also considered as important by the investors
- ⇒ 45% of the respondents use 20%-30% of their income for investment purpose
- ⇒ Fluctuation in the value of securities was stated as the most important reason for reluctance in investing in financial products like shares, debentures, mutual funds and derivatives.

- ↪ Majority of the respondents rely on newspapers, business magazines, and TV channels as a source of information for taking investment decisions. Next choice for the source of information is financial consultants or brokerage institutions which help in trading of securities.
- ↪ Only 42.5% of the respondents had opened a dematerialisation account for securities trading
- ↪ 9 among 17 respondents stated that they chose Geojit BNB Paribas as brokerage house for facilitating their trading
- ↪ 57.5% of the respondents stated that they themselves evaluate and manage their investments.
- ↪ 47.5% of the respondents are aware about the IPO of new shares.
- ↪ Only 42.5% of the respondents had opened a Demat account for securities trading
- ↪ 76% of the respondents give suggestions for selecting the appropriate securities to invest.

SUGGESTIONS

- * The reason behind the hindrance to invest in innovative financial products is the lack of proper information. So the investors should be provided with right information about the available investment avenues.
- * Financial products should be designed in such a way that it cater to the need of people with different demographic characteristics.
- * The financial products available in the capital market are not popular among the common people. Measures should be taken by the regulatory bodies to popularise these financial products.

CONCLUSION

Today the standard of living of people is increasing. But still a large segment of our country still relies on the very traditional investment avenues. They are risk averse and don't want to risk their hard earned money. The traditional investment avenues like bank deposits, post office savings, and life insurance schemes still stand dearer to the investors. Only a small percentage of investors are well aware about shares, mutual funds etc. The investors have to be motivated to employ their money in financial products. The paper reveals the characteristics of investors in selected financial products

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