An Empirical Study on Investors' Preferences towards Investment Avenues in Visakhapatnam City

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ABSTRACT - Investment is a desire sacrifice the current consumption to get a future rate of return. Investment in different types of assets is an exotic activity that attracts people from all walks of life regardless of their occupation, economic status, education and family background. In the past, investment avenues were finite to post office, banks, insurance, chit funds and real estate's etc. At present scenario there a wide variety of investment avenues are available to the investors with minimum risk and maximum return. The level of return and risk associated with each of these investment avenues differ from one avenue to another. The investor expects more returns with comparably less risk. Now-a-days investors know about the required level of return and risk tolerances that decide the choice of investment avenues. A survey has conducted through structured questionnaire a sample size of 258 investors to analyze the investors' preferences towards investment avenues in Visakhapatnam city and quantify the responses using appropriate descriptive and inferential statistics and thereby suggesting the ways to promote investments.

Keywords:-Investors' Preferences, Return, Risk, Investment avenues

I. PROLOGUE

In this modern era, money plays an important role in one's human life .In order to overcome the problems in future they have to invest their money into financial instruments. There are plenty of investment alternatives available to the investor to invest their excess money into any financial product for a maximizing the return with minimum risk. According to Time Value of Money, a rupee received today is more value than a rupee received tomorrow. When a person has more money than he requires for present consumption, he would be coined as potential investor. The investors who have extra cash could invest it in securities or in any other assets like gold or real estate or could simply deposit it in his bank account in order to get the benefit from the investment.

Ideal money can't produce any returns. Proper utilization of investment in any of the alternatives depends on the needs and requirements of the investor. Before investing, the investor has to analyze alternatives of investments in terms of their risk, return, term, convenience, liquidity etc. Different investment avenues include Derivatives, share market, Bonds, mutual funds, ETF's, Company fixed deposits, life insurance, precious objects like Gold, Silver, non-marketable securities (Bank Deposit and Post Office Savings). All the avenues are differentiated based on their different features in terms of risk, return, term etc.

Low Risk Avenues: Postal Savings, Bank Fixed Deposits, Public Provident fund, Government

Securities etc.,

Moderate Risk Avenues: Life Insurance, Mutual Funds, Debentures/Bonds.

High Risk Avenues: Equity Share Market, Commodity Market, FOREX Market, Derivatives.

Traditional Avenues: Real Estate (property), Gold/Silver, Chit Funds.

II. REVIEW OF LITERATURE

Sharma & Shah (2020) evaluated that most of the investors are mostly conservative approach as far as investments are 120101concerned and they prefer to invest in the safe avenues which offer lowest risk though the returns are low. This approach needs to be addressed and they must be educated on how they can diversify their instruments thereby balancing between risk and return. In the context of moving towards an emerging financially developed economy, it is essential that the money in the hands of the public should flow into the capital and commodity market.

Nair &Anzer (2020) established that investors choose banks were considered as the best investment avenue by both public sector and private sector employees. But majority of them were not satisfied with the benefit received from their current investment. They found risk and safety of principal are the main factor while making investment. The most preferred investment area considered by the investors in the present economic conditions is mutual funds.

Chandran (2019) in their article found that the investors are highly educated and revealed that investors faced

difficulties in differentiating various investment avenues also they lack in knowledge and skills of investing. He also concluded that every investor must have real estate as a part of their portfolio. It has been observed that the investors are investing in residential property along with commercial property because it acts as extra income source.It is concluded that investors still prefer banks over other kinds of fixed deposit. Considering past, present and future prospects of Gold and silver it is concluded that every investor must have precious metals as a part of their portfolio.

Krishna, Sultana, & Reddy (2019) revealed that the investor's investment preference reasons are different in different investment avenues. The investor's preference reason in Investment Avenue is depends upon the investment objectives such as Risk, Return, Safety and Liquidity of the investment. Most of the Investors enter into the Share Market for Returns and Bond Investors take Risk and gains returns periodically. Risk aversion investors like to invest in Mutual Fund Investment avenue for Future Needs.

Parimalakanthi& Kumar (2015) in their studyrevealedthat the Investors are before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments. The majority of the investors preferred to invest in savings account followed by Gold and Silver, Fixed deposit account and the like**.**

Pandian&Thangadurai (2013) has concluded that most of the investors prefer bank deposits followed by gold investment only for safety reason. They also found out that most of the investors purchase land for building residential houses.

Murugan (2012) in his article "Investors attitude towards investment option in Nellore region" explored most of the investors are relatively unaware of the corporate investment avenues like equity and preference shares, mutual funds, corporate debt securities and deposits. Hedescribed that the respondents are highly aware of traditional investment avenues like real estate, bullion, bank deposits, life insurance schemes, and small savings schemes. Further, the economic independence females are very low participation in investment decisions.

Geetha& Ramesh (2011) in their study focus on the factors influenced in investment behaviour of the respondents and attitude of the respondents in different investment choices. They found that the respondents are medium aware about various investment choices but, the respondents are not aware about stock market, equity, bound and debentures. Further, all age groups are more important to invest in Insurance, NSC, PPF and Bank deposit. Respondent's income level affects the portfolio that is lower income level groups are preferred to invest in Insurance, NSC, PPF and Bank deposit rather than other

investment avenues. They concluded that awareness programs may conducted by Stock Brokering firms because most of the respondents are unaware about the new service of stock market.

III. STATEMENT OF THE PROBLEM

In the charismatic and competitive environment, marketing of financial services and other investment avenues are to be understood for purpose of realizing the attitude of the investors. Though a variety of investment alternatives are available, majority of then still depend on the banking system to invest their savings using the surplus liquidity on the banking system. Due to Covid-19 banks have reduced the repo rate and reverse repo rate so there by interest payable on deposits is a steady decline in the interest rates offered by the banks. Hence it would be more fruitful to study the various other options available for getting better returns on ones' hard-earned saving from the organized system. So, in the present study an attempt has been made by the researcher to know how far investors are aware of various investment avenues

IV. OBJECTIVES OF THE STUDY

- To understand the socio- economic profile of investors
- To analyze the investors' preferences towards investment avenues in Visakhapatnam city.
- To offer Suitable suggestions to promote investments.

V. RESEARCH METHODOLOGY

The present study is mainly based on two sources of data: Primary data, Secondary data. The survey method was employed for the collection of the primary data from the selected sample respondents. The sample respondents here are the collected from investors in Visakhapatnam city. Primary data collected through structured questionnaire. A questionnaire is a list of carefully structured questions aimed at eliciting the information from the respondents. The secondary data is mainly congregated from published and unpublished works on the related topics. In addition to collected Publications dissertations, articles and research papers from various journals, magazines and the e-journal of the university library and INFLIBNET.
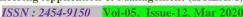
Sample Size   : 258
Sampling Method   : Convenience Sampling
Tools for Analysis   : Percentage & Garrett's Ranking

The primary data was analyzed using the Statistical Package for Social Sciences (SPSS -16.0 versions). The data is processed by using the:

1. Frequency for the socio-economic variables.

2. Garrets Ranking Technique has been used to analyze the preference for the selection of investment preferences for stocks by the respondents.

Garrett's Ranking

Garrets Ranking Technique has been used to analyze the preference for the selection of investment preferences by the respondents. Under the Garrett's Ranking Technique the percentage position is calculated by using the following formula:

$$\text{Percentage position} = \frac{100\,(R_{ij}-0.5)}{N_j}$$

Where R_{ij} = Rank given for i^{th} variable by the jth respondent.

N_j= Number of variables ranked by the jth respondents.

Garrett's ranking table values are presented in the appendix.

VI. DATA ANALYSIS AND INTERPRETATION

In order to provide a precise picture of the profile of the respondent's selected for the study, five parameters were selected and analyzed. This includes Age, gender, educational background, occupation and monthly income. Table 1 gives an overview of demographic profile of the respondents.

Table 1: Socio-economic Profile of the respondents

Personal Characteristics		Frequency	Percentage
Age	Below 30 years	77	29.8
	31-40 years	107	41.5
	41-50 years	50	19.4
	Above 51 years	24	9.3
	Total	**258**	**100.0**
Gender	Male	177	68.6
	Female	81	31.4
	Total	**258**	**100.0**
Marital Status	Unmarried	43	16.7
	Married	210	81.4
	Others	5	1.9
	Total	**258**	**100.0**
Education	SSC	29	11.2
	Inter	15	5.8
	Graduate	79	30.6
	Post Graduate	86	33.3
	Professional degree	43	16.7
	Others	6	2.3
	Total	**258**	**100.0**
Occupation	Government Employee	78	30.2
	Private Employee	108	41.9
	Retired Employee	14	5.4
	Business	35	13.6
	Professional Services	23	8.9
	Total	**258**	**100.0**
Monthly Income	Below Rs.20,000	44	17.1
	Rs.20,001-Rs.40,000	81	31.4
	Rs.40,001-60,000	85	32.9
	Rs.60,001-Rs.80,000	30	11.6
	Rs.80,001-1,00,000	11	4.3
	Above Rs.1,00,000	7	2.7
	Total	**258**	**100.0**
Monthly	Up to Rs.2500	22	8.5
	Rs.2501-Rs.3500	42	16.3
	Rs.3501-Rs.4500	15	5.8
Savings	Rs.4501-Rs.5500	20	7.8
	Rs.5501-Rs.6500	25	9.7
	Rs.6501-Rs.7500	7	2.7
	Rs.7501-Rs.8500	8	3.1
	Rs.8501-Rs.9500	3	1.2
	Rs.9501-Rs.10500	8	3.1
	Above RS.10,500	108	41.9
	Total	**258**	**100.0**

Source: Field Survey

It is evident from the table 1, Out of the total respondents 41.5 per cent are in the age group of 31-40years, 29.8 per cent are in the age group of below 30 years. Further, 19.4 per cent are in the age group of 41-50 years and 9.3 per cent are aged above 51 years. Besides, majority 68.6 per cent of the respondents belongs to male category whereas the remaining 31.4 per cent belongs to female category. Among the total respondents 81.4 per cent are married and 16.7 per cent are unmarried. 1.9 Per cent respondents were others (includes widows and divorced).

Out of the total respondents, 33.3 per cent have completed their Post Graduation, 30.6 per cent have finished their Graduation. 16.7 per cent have done their Professional degree. Out of total respondents 41.9 per cent are Private employees and 30.2 per cent are Government employees. 13.6 per cent are doing business, whereas 8.9 per cent working as professional services, while the remaining 5.4 per cent are retired employees.

It is observed that, out of the total respondents 32.9 per cent monthly income between Rs.40,001-60,000, while 31.4 per cent belongs to the monthly income between Rs.20, 001-Rs.40, 000. Further, 17.1 per cent belongs to the monthly income below Rs. 20.000, whereas 11.6 per cent respondents have a monthly income between Rs.60,001-Rs.80,000 followed by 4.3 per cent belongs to have monthly income Rs.80,001-1,00,000 respectively and the remaining 2.7 per cent belongs to the monthly income above Rs.1,00,000.

Out of total respondents, 108 respondents representing 41.9 per cent belongs to monthly savings above Rs.10, 500 while 42 respondents representing16.3 per cent belongs to monthly saving between Rs.2501-Rs.3500 whereas 25 respondents representing 9.7 per cent under the monthly savings between Rs.5501-Rs.6500. Further 22 respondents representing 8.5 per cent belongs to monthly savingsuptoRs.2500 and 20 respondents representing 7.8 per cent belongs to monthly savings between Rs.4501-Rs.5500.

Investor preferences in Investment Avenues

The respondents were asked to rank the fifteen factors identified for the purpose of this study from 1 to 15 in order to know their preferences in the selection of investment preferences. 1 corresponds to highly prefer and 15 as least preferred. The calculated percentage positions for the ranks

and their corresponding Garrett's table values are given in Table 2.

Table 2: Percentage Positions and Their Corresponding Garrett's Table Values

Rank	Percentage Position	Garrett's table value
1	100(1-0.5)/15 = 3.34	85
2	100(2-0.5)/15 = 10	75
3	100(3-0.5)/15 = 16.67	70
4	100(4-0.5)/15 = 23.34	65
5	100(5-0.5)/15 = 30	61
6	100(6-0.5)/15 = 36.67	57
7	100(7-0.5)/15 = 43.34	54
8	100(8-0.5)/15 = 50	50
9	100(9-0.5)/15 = 56.67	47
10	100(10-0.5)/15 = 63.34	44
11	100(11-0.5)/15 = 70	40
12	100(12-0.5)/15 = 76.67	36
13	100(13-0.5)/15 = 83.34	31
14	100(14-0.5)/15 = 90	25
15	100(15-0.5)/15 = 96.67	15

Table 2 shows the percentage positions for the ranks 1 to 15 their corresponding Garrets table values. For Rank1, the calculated percentage position is 3.34 the table value is 85. This value is given in the Garrets ranking table for the percentage 3.43, which is very near 3.34 (see Appendix). As like for all the calculated percentage positions, the table values are referred from Garrett's ranking table.

Investment Preferences

Table 3shows the number of respondents ranking the factors as 1 to 15 for the preferences in the selection of investment preferences. Table 3 shows the total score and the mean score of investment preferences.

Table 3: Ranking of the Investment preferences

S no	Investment Preferences	Rank															Total no of respondents	Total Score	Mean score	Rank
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
1	NSS	7	10	10	10	16	3	6	14	24	11	7	22	24	35	59	258	10054	38.97	XIII
2	PO	4	2	11	14	11	12	12	25	9	12	44	21	47	29	5	258	11147	43.20	XII
3	PF	11	6	24	8	6	27	6	6	19	29	22	45	30	10	9	258	12098	46.89	IX
4	Chits	10	5	15	13	38	20	11	25	22	29	36	22	5	3	4	258	13254	51.37	VIII
5	IS	2	18	19	21	29	24	41	33	17	10	13	3	3	23	2	258	13781	53.41	VII
6	MF	55	21	29	25	29	25	28	7	17	5	5	1	7	3	1	258	16523	64.04	I
7	BFD	18	24	18	45	28	23	21	22	7	24	8	7	2	4	7	258	14992	58.11	IV
8	SBA	12	16	18	5	8	4	5	37	24	14	16	25	20	9	45	258	11445	44.36	XI
9	CFD	1	1	4	11	17	28	22	19	29	28	38	18	25	5	12	258	11769	45.62	X
10	Shares	89	17	6	16	13	10	27	9	4	17	16	16	5	4	9	258	16113	62.45	II
11	B/D	10	54	25	12	24	25	15	14	15	9	5	21	13	4	12	258	14569	56.47	V
12	ETF	0	5	2	17	8	11	9	6	26	17	20	14	41	74	8	258	10036	38.89	XIV
13	PRE/FA	33	55	44	14	4	18	14	19	8	6	6	11	18	5	3	258	15900	61.63	III
14	G/S	6	21	31	40	14	23	37	14	12	9	11	12	4	18	6	258	14214	55.09	VI
15	DR	0	8	4	10	14	5	4	13	21	32	9	20	12	29	77	258	9262	35.89	XV

**NSS: National Saving Certificate, PO: Post office schemes, PF: Provident fund, CH: Chits, IS: Insurance schemes, MF: Mutual fund schemes, BFD: Bank fixed deposits, SBA: Saving Bank Account, CD: Company fixed deposits, Shares, B/D: Bond/debentures, ETF: Exchange traded funds, PRE/FA: Purchase of real estate/fixed assets, G/S: Gold/Silver, DR: Derivatives.

Note: For investment preferences the total score is calculated by multiplying the number of respondents

ranking that factor as 1 to 15 by their respective table values given in Table 3Mean score is calculated by dividing the total score by the number of respondents.

It is seen from Table 3 that according to the Garrett ranking, the respondents investment preferences are in this order namely mutual fund scheme, shares, purchase of real estate/ fixed assets, bank fixed deposits, Bonds/debentures, gold/silver, insurance schemes, chits, provident fund, company fixed deposits, savings bank account, post office schemes, national saving certificate, exchange traded fund, derivatives.

VII. FINDINGS AND SUGGESTIONS

- Majority of the respondents were found to be in the age of below 40 years. Have an interest towards investment in capital market.

- Only male investors have an interest to invest in equity shares. They have a dare to bare the risk in the capital market.

- Most of the investors are graduates and post graduates. Education helps the investors to prefer right investment in the right portfolio so that they yield more returns with less risk.

- Majority of the respondents have monthly income between Rs.20, 000 – Rs.40, 000 and Rs.40, 000 – Rs.60, 000. They utilized their surplus income to invest in different investment instruments to fulfill their obligations and attain their goals.

- It is found that the investor's rank their order of preference for investment in mutual fund highly preferred followed by shares. It is seems that now every investor know about the new financial products to earn maximum returns and fulfill their goals. It is suggested that the mutual fund companies can design and promote new schemes to grab the interest of the investors. SEBI should also control the mutual fund companies to protect investment in mutual fund. Investors gave second preference to shares. In order to retain the equity investors, SEBI has to protect their interest by controlling the illegal activities of the companies and intermediaries.

VIII. EPILOGUE

Capital markets are a barometer of the health of the economy. An efficient and a vibrant .capital market facilitate sustainable development of the economy. A developing Country, like India, implemented different strategies are Smart City, Digital India, Demonetization, Goods and Service Tax (GST) for maximize the GDP. All these developments encourageinvestors' savings to flow to corporate enterprises. Investors are the backbone of capital market.

"No pain No gain" it is the golden principle of investment management. 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 minimize the risk by investing their money in various forms of investments so that they can get a moderate profit.

Hence the researcher has concluded that most of the investors prefer Mutual Funds Schemes are the most preferred instruments among investors followed by Shares purchase of real estate/ fixed assets etc., in the study area.

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