Investors' Preference Towards Financial Investments -Some Survey Evidence

*R.Dhivya
**Dr.C.Sekar

INTRODUCTION

Banking in India has witnessed remarkable changes and development since the onset of the processes of liberalization, globalization, and privatization during early nineties. Fixed income securities are one of the most innovative and dynamic instruments evolved in the financial system ever since the inception of money. Based on the concept of interest and time-value of money, fixed income securities personify the essence of innovation and transformation, which have fueled the explosive growth of the financial markets over the past few centuries.

Fixed income securities offer one of the most attractive investment opportunities with regard to safety of investments, adequate liquidity, flexibility in structuring a portfolio, easier monitoring, long term reliability and decent returns. They are an essential component of any portfolio of financial and real assets, whether in form of pure interest bearing bonds, innovative and varied type of debt instruments or asset-backed mortgages and securitized instruments. An important feature of the securities market is the depth and breadth of public participation in the market. Millions of households and individual investors provide a pool of capital and a diversity of decision-making that creates liquidity in the market and makes it dynamic.

OBJECTIVES OF THE STUDY

- To study the attitude of the respondents towards different financial instruments and to evaluate the awareness about various investment opportunities.
- To understand the mostly preferred mode of investment.
- To estimate the relationship between the annual income and the annual savings.
- To study the factors influencing the investment decisions.
- To identify the information sources influencing the choice of a particular financial instrument and to examine the preferred mode of communication.

RESEARCH METHODOLOGY

This paper makes use of some of the data collected in a survey using a structured questionnaire. The survey was conducted during April - May, 2008 among 60 non-bank customers of INDUSIND bank spread over R.S. Puram area in Coimbatore district. The required data were collected through a pre-tested questionnaire which was administered on a purposive sample of 60 investors. Purposive sample selection was done due to the nature of the problem.

Weighted average score and Garrett ranking were employed to assess the customer preference. Correlation analysis brings out the relationship between income and savings.

RESULTS AND DISCUSSION

Table 1 reveals that out of the 60 respondents, 43 percent of the respondents fall under 2.01- 3.00 lakhs income range, 31 percent are those having income between 1.01 - 2.00 lakhs, 18 percent earn more than 3.00 lakhs and 7 percent earn below the Rs. 1.00 lakh category. As far as the education and occupation levels are considered, it is interesting to note that more than 60 percent of the respondents are graduates, 28 percent have completed their school finals and only eight percent have secured post graduation education. Nearly 81 percent of the sample respondents are self-employed, while the remaining are employed in either government or private organizations.

Research Scholar, Department of Agricultural and Rural Management, Tamil Nadu Agricultural University, Coimbatore – 641 003,Tamil Nadu. Email : dhivya_rajaram@yahoo.co.in
**Professor (Agrl. Economics)*,Tamil Nadu Agricultural University, Coimbatore – 641 003,Tamil Nadu.

Table 1: Responses About The Status Of Annual Income, Education Level And Occupation Level Of The Respondents

Income Range (Rs.)	No. of Respondents	Level of Education	No. of Respondents	Occupation	No. of Respondents
Less than 1.00 lakh	4(6.67)	School final	17(28.33)	Employed	11(18.33)
1.01 - 2.00 lakhs	19(31.67)	Graduate	38(63.33)	Business	49(81.67)
2.01 - 3.00 lakhs	26(43.33)	Post graduate	5(8.33)		
More than 3.00 lakhs	11(18.33)				
Figures in parenthesis indicate percentage to total					

Table 2 :Responses Regarding Annual Savings And Objectives Of Savings

Annual Savings Range(Rs.)	No. of Respondents	Objectives of Savings	No. of Respondents
Less than 50000	8(13.33)	Retirement	18(30.00)
50001 - 100000	36(60.00)	Contingencies	36(60.00)
More than 100000	16(26.67)	Asset purchase	39(65.00)
		Education	43(71.67)
		Tax reduction	31(51.67)
Figures in parenthesis show percentage			

From the Table 2, it could be inferred that more than fifty percent of the respondents save between Rs. 50000-Rs.100000 annually (60 percent), and about 27 percent of the respondents saved more than Rs. one lakh per annum, and the remaining thirteen percent of the respondents were in the category of saving less than Rs. 50000 (13.33 percent)/ annum.It is clear that education play a major role (71.67 percent) in deciding the saving habit of the respondents, followed by asset purchase (65 percent), contingencies (60 percent), tax reduction (51.67 percent), and retirement (30 percent). The Table 2 shows a mixed response.

Table 3 : Awareness About Investment Options

Awareness	No. of Respondents
Aware	52(86.67)
Not aware	8(13.33)
Figures in parenthesis show percentage	

Table 3 concludes that more than 86 percent of the respondents are aware of the different investment options. The results from the Table 4 give an evidence that the respondents have ranked the bank deposit as the number one investment option with a Garret's score of 75.10, followed by life insurance (67.33), shares (56.25), mutual fund (55.7), postal savings (51.78), gold and silver (47.46), real estate (46.83), pension and provident fund (37.76) and chits (37.06).

Table 4: Preference Of Savings Avenue

Savings Avenue	Garrett Score	Rank
Bank Deposit	75.10	1
Life Insurance	67.33	2
Shares	56.25	3
Mutual Funds	55.70	4
Postal Savings	51.78	5
Gold & Silver	47.46	6
Real Estate	46.83	7
Pension and Provident Fund	37.76	8
Chits	37.06	9
Currency	28.55	10

Though there are several sources of information, certain factors influence the decision making behaviour of the individuals on investments. It is clearly evident from the Table 6 and Figure 1 that family members influence the most in investment decisions in case of fixed deposits and insurance. In case of shares, bonds, and mutual funds, the

influence of friends was pronounced more. The influence of financial consultants and others (advertisement e-mails, website advertisements, etc.,) was found to be comparatively less.

Table 5 : Attitude Towards Financial Instruments

Investments	WAM	Rank
Fixed Deposit	17.60	1
Insurance	17.40	2
Mutual Fund	15.40	3
Shares	15.33	4
Bond	8.52	5

Table 6 : Factors Influencing The Investment Decisions

Factors	Fixed Deposits	Bonds	Shares	Insurance	Mutual Funds
Family Members	51	12	17	49	20
Friends	14	26	36	6	26
Financial Consultants	3	10	7	7	6
Others	1	0	3	8	3

Figure 1: Factors Influencing The Investment Decisions

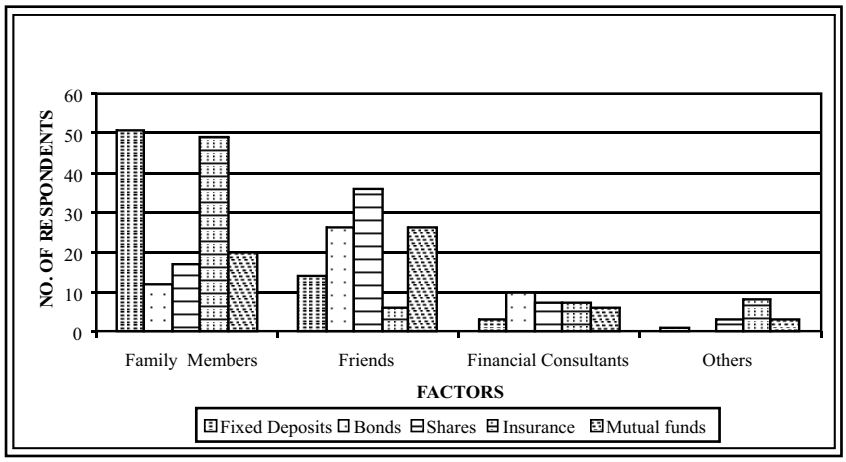

Table 7: Sources Of Information

Sources	Fixed Deposit	Bond	Shares	Insurance	Mutual Fund
Advert	17	15	21	2	15
Brokers	0	3	9	0	8
Financial Dailies	11	6	24	13	31
Financial Consultants	41	20	14	17	7
Mail	2	2	2	8	2
Others#	9	39	2	42	2
# - Friends, other family members, etc.,					

From the Table 7 and Figure 2, it could be understood that in case of fixed deposits, the major source of information was the financial consultants of the banks. As far as insurance was concerned, insurance agents played a major role. In case of bonds, other sources became important that is friends, family members etc. For shares and mutual funds, financial dailies played a major role. The mode of communication differs between the respondents based on their convenience. The Table 8 infers that nearly forty eight percent of the respondents enquired through telephone,

followed by personal visit to the office (25 percent), and about twenty three percentage of the respondents opted for automated response and only 3.33 percent of them had no special preferences for communication.

Figure 2: Sources Of Information

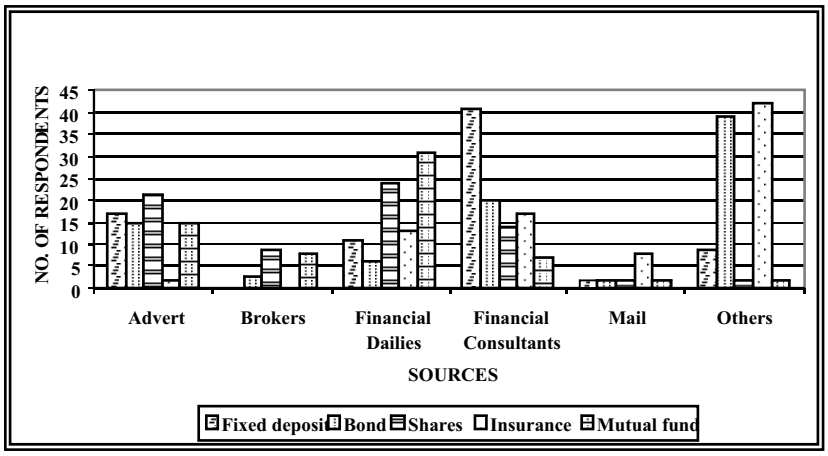

Table 8: Preferred Mode Of Communication

Mode	No .of Respondents
Automated Response	14(23.33)
Personal Visit	15(25)
Telephone	29(48.33)
No Preference	2(3.33)

ASSOCIATION BETWEEN ANNUAL INCOME AND ANNUAL SAVINGS

To know about the association between the annual income and the annual savings, correlation analysis was done and the results obtained are presented in Table 9.

Table 9: Association Between Annual Income And Annual Savings

Particulars	Income Category (Rs.)	Distribution of Respondents	Correlation
Annual Income	Less than 1.00 lakh	4	
	1.01-3.00 lakhs	9	
	3.01-5.00 lakhs	26	0.7962
	More than 5.00 lakhs	11	
Annual Savings	Less than 50000	8	
	50001-100000	36	
	More than 100000	16	

From the Table 9, it could be inferred that annual income and annual savings are highly correlated with a correlation value of more than 0.5 (0.7962). Hence, it is clear that as the annual income increases, the annual savings would also increase substantially.

CONCLUSION

From the foregoing analysis, it was obvious that the fixed deposits provided satisfaction to the customers. The study indicates that the respondents integrate the objectives of savings, the factors influencing the saving and the sources of information for decision making. The annual income and the annual savings are given prime importance of consideration by the respondents, because the level of income decides the level of savings. Hence the banks have to make conscious effort to meet the customer needs and requirements in the wake of competition and ever increasing expectations of the customers.

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