VARIOUS INVESTMENT AVENUES WITH A SPECIAL FOCUS ON REAL ESTATE INVESTMENT TRUSTS (REITs)

MANSI GUPTA[1]

BCom (International Finance), Department of Professional Studies, Christ University, Bengaluru

Dr Kavitha D[2]

Department of Professional Studies, Christ University, Bengaluru

Abstract

In current era people have immense options of investments to park their money into. The investment attributes play a major role in analysing investor's perception towards their investment options they choose. Also, risk and returns and other benefits available from each of these investments differ from each other. The investment options which suits the investor best in its regard is selected by them for their investments. In addition to this there are many new reforms and ideas coming up which have the ability to transform the investment behaviour of investors. Real Estate Investment Trusts (REITs) is one which has been newly introduced in India however confined by rules and regulations of Securities and Exchange Board of India (SEBI). An attempt has been made in this study to find out the Investors preferences towards various investment avenues with a special focus on Real Estate Investment Trusts (REITs).The demographic variables and objectives of the investors have been obtained from the respondents and the relationship between these variables and objectives has been computed.

Keywords: Investment Avenues, Investment Attributes, Real Estate Investment Trusts (REITs)

I.   Introduction

Investment of hard earned money is now an urgent need of each individual. Investment is the duty of assets which have been spared from current utilization with the expectation that a few advantages will be gotten in future. Accordingly, it is a reward for sitting tight for cash. The real estate has been at the cutting edge of the Government of India's plan because of its capability to drive economic growth essentially. Inside real estate, the housing segment right now contributes around 5% of India's GDP and in the following three to five years, its contribution to GDP is probably going to increment to 6%. After the FDI policy in 2005, in subsequent years many reforms had gained pace. The reforms run over all aspects of the real estate business from land acquiring, through controlling the business and taking care of customer interests, to considering further liberalization of the FDI and the introduction and presentation of the idea of Real Investment Trusts (REITs). A Real Estate Investment Trust (REIT) is a real estate organization that offers common shares to general public. Thusly, a REIT stock is like some other stock that resembles ownership in a working business. It is a company that possesses income producing real estate. REITs possess numerous sorts of business or commercial real estate, ranging from office and apartment structures to warehouses, medical clinics, malls, hotels and timberlands. Some REITs participate in financing real estate. REIT was presented by SEBI at first in 2008 however wasn't executed. However, REIT was executed in various countries in early years itself. So in the year 2013, SEBI considered it important to push REIT in India. In the 2014 budget plan, amendments and corrections were passed to present it under Incomes Tax Act 1961.

II.   Review of Literature

a) **(Investors Behaviour In Various Investment Avenues a Study)** This study manages the conduct of the investor to distinguish the better investment avenues accessible in India. The investment strategy is an

arrangement, which is made to guide an investor to pick the most proper investment portfolio that will assist them with achieving their financial objectives inside a specific timeframe. By expanding personal wealth, investing can add to higher, overall economic development and prosperity. The way toward investing helps organizations where they can raise their capital through financial markets. Explicit kinds of investments give other benefits for the investor, corporate as well general public. The Indian investors are aware about the idea of portfolio allotments and risk and return of the investment. **(Murithi, Narayanan, & Arivazhagan, 27)**

b) **(Need Of REIT & It's Prospective Implication in India)** A Real Estate Investment Trust is a company which displayed after mutual funds that possesses or funds income producing real estate. It gives investors regular income streams, long haul capital appreciation and diversification. REITs normally distribute the majority of their taxable income as dividends to shareholders. Office structures, hotels, shopping centers, apartments, resorts, warehouses, self-storerooms and mortgages are the income creating real estate assets of REITS. India has additionally endeavored to set up REIT. Prior in 2008, SEBI had issued certain draft regulations for presenting REITs. I-REITs (REITs in India) will put resources into finished rent creating properties in India (to contain least 90% of net asset value) and mortgage backed securities, would issue securities, which would be listed on stock trades. In prior stage I-REITs are planned to be accessible just for high net worth individuals and establishments to build up the market however at this point there are a few relaxations presented. **(Jagtap, 2016)**

c) **(Investors Attitude towards Investment Avenues)** Investors have a ton of investment avenues to park their reserve funds which is savings. The risk and returns accessible from every one of these investment avenues vary starting with one avenue then onto the next. The investors expect returns with moderately lesser risks. In such manner, the financial advisors and experts offer different proposals to the investors. The accessible literature identifying with the investors frame of mind towards investment avenues is next to no and neglected to give a lot of data. An attempt has been made in this study to discover the principle target of the investors in Coimbatore District towards making investments and to evaluate the investor's attitude towards different avenues. The demographic variables and targets of the investors have been acquired from the respondents and the connection between these variables and goals has been figured. The attitude of the respondents towards the select investment avenues has been positioned and ranked. The study additionally offers proposals to the investors to make investments **(Selvi, 2015)**

d) **(Real Estate Investment Trusts (REITs) in India: Relevance and Significance in Emerging Scenario)** In the current reform age the industry of Mutual funds in India is steadily and slowly growing. The industry has seen many innovations and growing since 2000s. In spite of its tremendous growth and development potential, given the very weak mortgage penetration in the country Real Estate Funds (REFs) and its variants like Real Estate Investment Trusts (REITs) which show a similar characteristics as mutual funds are yet to pick up momentum in India. As against similar investment in developed nations investments in REFs and REITS can offer importantly higher returns in India. Over the last few years the Securities and Exchange Board of India, the regulatory authority in respect of securities market in India, has been trying to develop these innovative models for financing. In the early 2014, as SEBI is about to formally introduce the REIT regime in India. This paper makes a more intensive investigate the highlights of the proposed REIT directions, confinements thereof and as needs be recommends systems to draw in more investors into this inventive money related instrument; along these lines encouraging quick and continued development of housing and real estate sector in India and henceforth the generally monetary advancement of the entire country. **(PK, 2014)**

e) **(A strategic study on investors preferences of mutual funds in India)** There are numerous internal and external elements which impact the performance of the securities exchange especially 'risk and return, which at last station profound effect on the view of the investors to contribute. Investors in general have hunger to invest resources into that instrument which may create maximum return with minimum risk. To benefit the upside of economic development substantial number of hybrid financial product appeared and Mutual Fund is one of them. The present overview based investigation endeavors to break down the investor preference inclination, impacting variable and awareness in the selected city by utilizing Chi – Square Test on nine most

believed mutual funds independent of their size; they are Reliance AMC, ICICI Prudential AMC, Franklin Templeton, UTI AMC, HDFC AMC, Birla Sunlife AMC, Kotak AMC, JM Finance AMC, and SBI AMC. **(Zafar, Maqbool, & Khalid, 2013)**

III.   Research Methodology

Statement of the problem:

In the dynamic and competitive environment, marketing of financial services has become challenging. It is the responsibility of the persons involved in marketing of financial services and other investment avenues to understand the attitudes of the investors in order to be successful in their affairs. Though variety of investment options available, majority of them still depend on the banking system to invest their savings using the surplus liquidity on the banking system. Despite the, introduction of some new ideas like Real Estate Investment Trusts (REITs) that changed the face of investments in various countries like US, Australia etc. is being neglected due to lack of awareness. Therefore it would be more beneficial to study the various other options available for getting better returns on one's hard-earned savings 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 the various investment avenues and their attitude towards investments.

Research Design:

A Research design is absolutely and essentially the structure of plan for a study that directs the collection and analysis of data. The study is intended to find the investor's preferences towards various investment avenues with a special focus on Real Estate Investment Trusts (REITs).The study design is a kind of Empirical research. For the study Simple Random Sampling is being conducted. Total of 100 responses from the people were collected who are into earning category and invest their money in some or the other ways. The respondents were confined to the Bangalore City in Karnataka India.

Source of Data:

The study has been done with the help of Primary data collected through Structured Questionnaire and Secondary data through earlier records from various company reports- Ernst and Young, Grant Thornton, research articles, journals.

Objectives of the study:

1. To analyze the investors perception for different investment avenues.
2. To study the factors influencing the investment decisions of the respondents.
3. To study the investors perception about REITs on security, return, risk, transparency, easy entry/exit and accessibility.
4. To study the impact of demographic factors on the investors perception.

IV.   Data Analysis and Interpretation

One way ANOVA

Relationship between age group and different investment avenues:

Setting of Hypothesis:

H_0: There is no significant difference between age group of respondents and their preferences for investment avenues.

H_1: There is significant association between age and preferences for different investment avenue

Table 1

		Sum of Squares	df	Mean Square	F	Sig.
Bank Deposits	Between Groups	1.597	3	.532	.287	.834
	Within Groups	183.432	99	1.853		
	Total	185.029	102			
Equity Investments	Between Groups	9.275	3	3.092	2.113	.103
	Within Groups	144.822	99	1.463		
	Total	154.097	102			
Bonds/ Debentures	Between Groups	4.371	3	1.457	1.087	.358
	Within Groups	132.678	99	1.340		
	Total	137.049	102			
Government Securities	Between Groups	7.837	3	2.612	1.814	.150
	Within Groups	142.590	99	1.440		
	Total	150.427	102			
Gold/ Silver	Between Groups	.121	3	.040	.021	.996
	Within Groups	190.268	99	1.922		
	Total	190.388	102			
Real Estate	Between Groups	7.962	3	2.654	1.502	.219
	Within Groups	174.950	99	1.767		
	Total	182.913	102			
Mutual Funds	Between Groups	12.989	3	4.330	2.393	.073
	Within Groups	179.108	99	1.809		
	Total	192.097	102			
Insurance	Between Groups	5.713	3	1.904	1.184	.320
	Within Groups	159.277	99	1.609		
	Total	164.990	102			
Postal Savings	Between Groups	4.110	3	1.370	.928	.430
	Within Groups	146.123	99	1.476		
	Total	150.233	102			
REITs (Real Estate Investment Trusts)	Between Groups	11.752	3	3.917	3.150	.028
	Within Groups	123.122	99	1.244		
	Total	134.874	102			

Inference: From Table 1, we can see that the p value for all the above mentioned investment avenues is greater than the significance level of 0.05 except REITs where actually the p value is below 0.05. Therefore, the difference between the mean are not statistically significant and hence we accept null i.e. there is no significant difference between age group of respondents and their preferences for investment avenues except for REITs (Real Estate Investment Trust).

Relationship between age group and different investment attributes:

Setting of Hypothesis:

H_0: There is no significant difference between age group of respondents and their preferences for investment avenues.

H_1: There is significant association between age and preferences for different investment avenue

Table 2

		Sum of Squares	df	Mean Square	F	Sig.
Security	Between Groups	6.217	3	2.072	1.172	.324
	Within Groups	175.045	99	1.768		
	Total	181.262	102			
Return	Between Groups	3.874	3	1.291	.752	.524
	Within Groups	170.048	99	1.718		
	Total	173.922	102			
Risk	Between Groups	7.630	3	2.543	1.304	.278
	Within Groups	193.128	99	1.951		
	Total	200.757	102			
Liquidity	Between Groups	1.278	3	.426	.376	.771
	Within Groups	112.217	99	1.134		
	Total	113.495	102			
Convenience	Between Groups	.559	3	.186	.129	.942
	Within Groups	142.548	99	1.440		
	Total	143.107	102			
Tax Savings	Between Groups	2.920	3	.973	.657	.581
	Within Groups	146.769	99	1.483		
	Total	149.689	102			
Hedge Against Inflation	Between Groups	4.959	3	1.653	1.084	.360
	Within Groups	151.002	99	1.525		
	Total	155.961	102			

Inference: From Table 2, we can see that the p value for all the above mentioned investment attributes is greater than the significance level of 0.05. Therefore, the difference between the mean are not statistically significant and hence we accept null i.e. the factors influencing the investment decisions are independent of the age group of respondents.

Relationship between age group and different investment attributes:

Setting of Hypothesis:

H_0: There is no significant difference between age group of respondents and their preferences for investment avenues.

H_1: There is significant association between age and preferences for different investment avenue

Table 3

		Sum of Squares	df	Mean Square	F	Sig.
Bank Deposits	Between Groups	14.133	4	3.533	2.026	.097
	Within Groups	170.896	98	1.744		
	Total	185.029	102			
Equity Investments	Between Groups	.290	4	.072	.046	.996
	Within Groups	153.807	98	1.569		
	Total	154.097	102			
Bonds/ Debentures	Between Groups	2.624	4	.656	.478	.752
	Within Groups	134.424	98	1.372		
	Total	137.049	102			

Government Securities	Between Groups	8.892	4	2.223	1.539	.197
	Within Groups	141.535	98	1.444		
	Total	150.427	102			
Gold/ Silver	Between Groups	.316	4	.079	.041	.997
	Within Groups	190.072	98	1.940		
	Total	190.388	102			
Real Estate	Between Groups	2.461	4	.615	.334	.854
	Within Groups	180.452	98	1.841		
	Total	182.913	102			
Mutual Funds	Between Groups	.356	4	.089	.046	.996
	Within Groups	191.741	98	1.957		
	Total	192.097	102			
Insurance	Between Groups	13.094	4	3.273	2.112	.085
	Within Groups	151.896	98	1.550		
	Total	164.990	102			
Postal Savings	Between Groups	11.309	4	2.827	1.994	.101
	Within Groups	138.924	98	1.418		
	Total	150.233	102			
REITs (Real Estate Investment Trusts)	Between Groups	9.918	4	2.480	1.945	.109
	Within Groups	124.956	98	1.275		
	Total	134.874	102			

Inference: From Table 3, we can see that the p value for all the above mentioned investment avenues is greater than the significance level of 0.05. Therefore, the difference between the mean are not statistically significant and hence we accept null i.e. there is no significant difference between annual income of respondents and their preferences for investment avenues.

Relationship between age group and different investment attributes:

Setting of Hypothesis:

H_0: There is no significant difference between age group of respondents and their preferences for investment avenues.

H_1: There is significant association between age and preferences for different investment avenue

Table 4

		Sum of Squares	df	Mean Square	F	Sig.
Security	Between Groups	3.605	4	.901	.497	.738
	Within Groups	177.657	98	1.813		
	Total	181.262	102			
Return	Between Groups	5.967	4	1.492	.870	.485
	Within Groups	167.956	98	1.714		
	Total	173.922	102			
Risk	Between Groups	10.785	4	2.696	1.391	.243
	Within Groups	189.972	98	1.938		
	Total	200.757	102			
Liquidity	Between Groups	3.021	4	.755	.670	.614

	Within Groups	110.474	98	1.127		
	Total	113.495	102			
Convenience	Between Groups	8.988	4	2.247	1.642	.170
	Within Groups	134.119	98	1.369		
	Total	143.107	102			
Tax Savings	Between Groups	12.784	4	3.196	2.288	.065
	Within Groups	136.906	98	1.397		
	Total	149.689	102			
Hedge Against Inflation	Between Groups	9.982	4	2.495	1.675	.162
	Within Groups	145.980	98	1.490		
	Total	155.961	102			

Inference: From Table 4, we can see that the p value for all the above mentioned investment avenues is greater than the significance level of 0.05. Therefore, the difference between the mean are not statistically significant and hence we accept null i.e. the factors influencing the investment decisions are independent of the annual income of the respondents.

Table 5

S.No.	Real Estate Investment Trust (REITs) Attributes	Mean	Rank
1.	Returns	2.3107	1
2.	Security	2.2621	2
3.	Risk	2.0388	3
4.	Accessibility	2.0388	3
5.	Easy entry and exit	1.9709	4
6.	Transparency	1.9126	5

Inference: From Table 5, it is inferred that the Return attribute of REITs is rated highest by the respondents based on their general understanding of Real Estate Investment Trust Attributes which is rank 1st with the mean value of 2.31. Security attribute has been ranked 2nd with the mean value of 2.26. Both the attributes Risk and Accessibility stand 3rd with a equal mean value of 2.03. Easy entry and exit being ranked 4th with mean of 1.97 and transparency being 5th with mean of 1.91.

V.   Findings and Suggestions

- The study reveals that the most preferred investment avenues amongst people today is Mutual Funds and the least preferred is Postal Savings. Real Estate Investment Trust (REITs) stand second last in the ranking of investments from most preferred to least preferred.
- Results depict that there are many investors who are not aware about Real Estate Investment Trust (REITs) in India.
- The analysis shows that return is the most influential investment attribute after which the ranking goes like security, tax savings, convenience, liquidity, risk and hedge against inflation.
- There is no significant relationship between age group of people and the investment avenues that they select which includes Bank Deposits, Equity Investments, Bonds/Debentures, Government Securities, Gold/Silver, Real Estate, Mutual Funds, Insurance, and Postal Savings.

- Real Estate Investment Trust (REITs) work in a different manner since age of the people does influence their investments in REITs.
- In case of annual income earned by individuals there is no significant relationship between the annual income and the investment avenues that the people choose.
- For factors influencing the investment decisions i.e. the investment attributes are independent of the age group and the income level of the individuals.

VI.   Conclusion

Indians are generally known for their inclination towards savings and for safe investments. On the investment side, numerous new financial instruments have been presented amid the most recent two decades to draw in people in general. With increased options investors are looking for new avenues to earn more and more in addition diversifying their portfolio for better protected risk and returns. Also, awareness for different investment schemes is not adequate. Greater parts of the population know about the different schemes just through guardians, companions and relatives. In spite of the fact that different new investment avenues are introduced for investment purposes, investors in rural and urban territory still lean toward bank deposits, land or gold in form of ornaments. The study tells that in the current scenario people are more influenced towards investing in mutual funds. The least preference is on investment towards postal savings. Through the survey it was found out that majority of the respondents have not preferred to invest their savings in Real Investments Trusts (REITs) and are mostly unaware of the same. It is the latest investment scheme introduced in India therefore the government should take appropriate steps to persuade the investors to invest in it along with other different investments.

VII.   Bibliography

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