INVESTORS ATTITUDE AND PERCEPTION TOWARDS INVESTMENT OPTION AVAILABLE IN INDIA

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Abstract: There are number of financial assets or investment avenues are available in India. Each investment alternative has its own strengths and weaknesses. Some options seek to achieve superior returns but with corresponding higher risk. Other provide safety but at the expense of liquidity and growth. Other options such as FDs offer safety and liquidity, but at the cost of return. Mutual funds seek to combine the advantages of investing in arch of these alternatives while dispensing with the shortcomings. Indian stock market is semi-efficient by nature and, is considered as one of the most respected stock markets, where information is quickly and widely disseminated. Thereby allowing each security's price to adjust rapidly in an unbiased manner to new information so that, it reflects the nearest investment value. Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings.

Keywords: Investors, attitudes, perception, investment.

1. INTRODUCTION

One needs to invest and earn return on their idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. One of the important reasons why one needs to invest wisely is to meet the cost of inflation. Inflation is the rate at which the cost of living increases. The cost of living is simply what it cost to buy the goods and services you need to live. Inflation causes money to lose value because it will not buy the same amount of a good or service in the future as it does now or did in the past.

2. OBJECTIVES

From the study, investor’s perception and attitude level will be measured in important areas such as:

1. To understand in depth about different investment avenues available in India.
2. To know the awareness about the different avenues among the investor.
3. To give a recommendations to the investors that where they should invest.

3. IMPACT OF DEMOGRAPHIC FACTORS ON INVESTORS' INVESTMENT DECISIONS

An investment is saving of current money and other resources for the future benefit. There are various investment avenues available for retail investors and depending upon ones' risk appetite, he/she can choose between bank deposits, government /private bonds, shares and stocks, exchange traded funds (ETF), mutual funds, insurance, commodities, currencies, etc. Risk is an important factor to be considered while making an investment in the stock markets. This paper reveals that demographic factors have an impact on retail investors' investment decisions. Consumer behavior is deeply influenced by cultural factors such **as:** buyer culture, sub culture, and social class.

4. INVESTORS' PERCEPTION

Perception is the process of attaining awareness or understanding of the environment by organizing and interpreting sensory information. All perception involves signals in the nervous system, which in turn result from physical stimulation of the sense organs. Investor perception about an investment would mean how the investor envisions or sees the different investment avenues. Knowledge of Investor Perception is important because the perceptions of investors can influence the investment pattern and his investment behavior like risk tolerance level, investment preference on the basis of occupation, marital status etc. So in order to know the perception of individual investor we have to know the behavior of individual investor and what risk is and factors which influence investment decision.

5. INVESTOR BEHAVIOUR

Economists have developed behavioral models to explain the decision-making process of individuals. The interdependence of the inherent risk and uncertainty about any course of action are provided by the theory of games. Game theorists call the stock market a 'positive sum game'. But the money game of the stock market may not yield uniform returns to all its participants. There are various investment avenues. When one investment opportunity is chosen, other opportunities may be given up. So, opportunity cost of an investment is the possible income from the next best alternative. Rational decision-making demands technical knowledge and practical experience. Investor behaviour approaches investing as a rational decision -making process in which the investor attempts to select a portfolio of securities. Rational investors form rational expectations about asset returns, motivated by the maximizing principle. They collect available and relevant information for making decisions. Some investors make decisions on inadequate information and such decisions may go wrong. The study is derived from an assortment of attributes considered by the investors towards their investments on shares of different companies. The age categories of the investors, educational qualification of the investors, Occupation of the investors, Income of the investors and frequency of in have been studied to explore the relationship among them. Besides, the opinions of investors towards risks and return on investments on shares are also examined. Finally it would also make an evaluation on the trend of saving instruments, so as to relate the same to the opinion of individual investor to draw some useful conclusions.

6. BEHAVIOUR OF INDIVIDUAL INVESTORS

Greed and fear have been recognized as the two dominant emotions that characterize market behaviour. Greed makes individuals grasp and grab when they buy shares, and fear leads to panic.

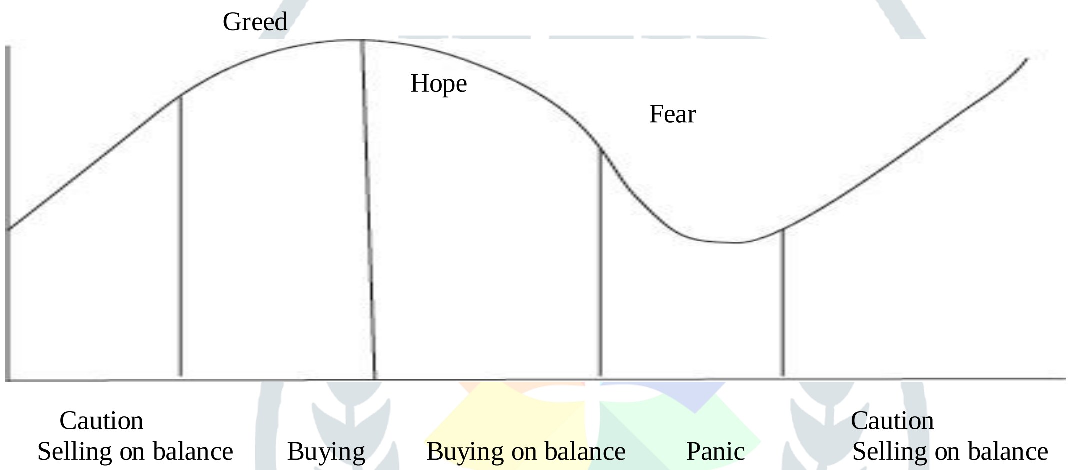

Figure – 1

Behaviour of Individual Investors

When share prices increase, small individual investors become sellers on balance. When share prices are at peak, they become greedy and buy securities aggressively. At the point of decline, they do not give up hope and tend to buy more shares than they sell. But when the market depresses and reaches the bottom, small investors develop fear and sell most of their securities. In totality, small investors occasionally make right decisions, and they try to earn profit by selling securities when share prices are rising and by buying securities when their prices are declining. Most often, small investors make incorrect decisions at turning points and other crucial junctures in share price movements.

7. RISKS IN INVESTMENT AVENUES

The word 'risk' has a definite financial meaning. It refers to possibility of incurring a loss in a financial transaction. In a broad sense, investment is considered to involve limited risk and is confined to those avenues where the principal is safe. 'Speculation' is considered as an involvement of funds of high risk. An example may be cited of stock brokers' lists of securities which labels and recommends securities separately for investment and speculation purposes. Risk, however, is a matter of degree and no-clear-cut lines of demarcation can be drawn between high risk and low risk and sometimes these distinctions are purely arbitrary. No investments are completely risk free. Even if it safety of principal and interest are considered, there are certain non-manageable risk which are beyond the scope of personal power. These are (a) the purchasing power risk-In other words, it is the fall in real value of the interest and the principal and (b) the money rate risk or the fall in market value when interest rate rises.

8. INVESTMENT AVENUES IN INDIA

Saving means not spending all of your current income on consumption. Investing on the other hand is choosing what assets to hold. We may choose to invest in safe assets, risk assets, or a combination of both. In the common usage, however, the term saving is often taken to mean investing in safe asset such as an insured bank account. It is easy to confuse saving with safe investing. An investor's portfolio is simply his collection of investment assets. Once the portfolio is established, it is updated or rebalanced by selling existing securities and using the proceeds to buy new securities, by investing additional funds to increase the overall size of the portfolio, or by selling securities to decrease the size of the portfolio.

Traditionally, investment is defined as the current commitment of resources in order to achieve later benefits. If resources and benefits take the form of money, investment is the present commitment of money for the purpose of receiving money later. In some cases, such as the purchase of a bank certificate of deposit, the amount of money to be obtained later is known exactly. However, in most situations the amount of money to be obtained later is uncertain. There is no broader view point of investment —based on the idea of flows of expenditures and receipts spanning a period of time. From this view point, the objective of investment is to tailor the pattern of these flows over time to be as desirable as possible. When expenditures and receipts are denominated in cash, the net receipts at any time period are termed cash flow, and the series of flows over several periods is termed a cash flow stream.

The investment objective is that of tailoring this cash flow stream to be more desirable than it would be otherwise. Part of this art knows what to analyze and how to go about it. However, there is also an intuitive art of being able to evaluate an investment from an assortment of qualitative information, such as personality characteristics of the people involved, whether a proposed new product will sell well and so forth. The word investment has many interpretations. It means different things to different persons. For a person who has lent money to another, it may be an investment for a return. Similarly, if a person purchases shares of a company, bullion or real estate for the purpose of price appreciation, it is also an investment for him. Likewise, an insurance plan or a pension plan is an investment to its purchaser. From these illustrations, it is clear that investment is a commitment of funds for earning additional income. In other words, investment is considered the sacrifice of certain present value of money in anticipation of reward.

Investment is parting with one's fund, to be used by another party or user of fund for productive activity. It can mean giving an advance or loan or contributing to the equity (ownership capital) or debt capital of a corporate or non-corporate business unit. Generalized, investment means conversion of savings, parting with saving or liquidity and lastly taking a risk involving uncertainty about the actual return, time of waiting and cost of getting back funds, safety of funds, and risk of the variability of return. For making proper investment involving both risk and return, the investor has to make a study of the alternative avenues of investment their risk and return characteristics and make proper projection or expectations of his preferences. Investing is a term with several closely-related meanings in business management, finance and economics, related to saving or deferring consumption. An asset is usually purchased, or equivalently a deposit made in a bank, in hopes of getting a future return or interest from it.

"An investment is a commitment of funds made in the expectation of some positive return. If the investment is properly undertaken, the returns will be commensurate with the risk the investor assumes" **-** (Donald E.Fischer and Ronald Jordon).

Investment is "the purchase by an individual or institutional investor of a financial or real asset that produces a return in proportion to the risk assumed over some future investment period" **-** (F. Amling).

The following table shows investor's awareness about investment avenues

Table – 1

Awareness about different investment avenues

Investment avenues	**No. of respondents**
Safe/low Risk investment avenues:	
Saving Account	96
Fixed Deposits	61
Public Provident Fund	32
National Saving Certificate	23
Certificate Post office	68
Government securities	19
Moderate Risk Investment Avenues	
Mutual Funds	27
Life Insurance	79
Debentures	17
Bonds	17
High Risk Investment Avenues	
Equity Share Market	56
Commodity Market	19
FOREX Market	12
Traditional Investment Avenues:	
Real Estate (Property)	56
Gold/ Silver	19
Chit Funds	12
Emerging Investment Avenues	
Virtual Real Estate	22

Hedge Funds	10
Private Equity investments	23
Art and Passion	16

9. CLASSIFICATION OF INVESTMENTS

Investment can be classified as financial investment and economic investment.

Financial Investment: It means employment of funds in the form of assets with the object of earning additional income or appreciation in the value of investment in future. Assets which are the subject matter of investment may be varying between safe and risky ones.

Economic Investment: Economic investment is different from financial investment. The term 'economic investment' signifies net additions to the capital stock of the society. Capital stock of the society in turn, means those goods and services which are used in the production of goods and services which are used in the production of other goods and services.

10. RESEARCH DESIGN AND METHODOLOGY

The present study consists of all those individuals who invest and those who intend to invest in financial instrument in near future. This study is based on sample survey method. This study mainly assesses the level of awareness, to know the perceived opinion and to measure the attitude of individual investors toward financial instruments. The study of research method provides you with the knowledge and skills you need to solve the problem and meet the challenges of the fast-based decision. Marketing environment define Business Research as a systematic inquiry whose objective is to provide information to solve managerial problem.

Definition of the population

Since the study is mainly related to know the investors' perception toward various investment avenues especially in Ottapalam Taluk, therefore here population means investor of Ottapalam Taluk.

Sample Technique

Convenience sampling technique has used for collecting the data from different investors. The investors are selected by the convenience sampling method. The selection of units from the population based on their easy availability and accessibility to the researcher is known as convenience sampling. Convenience sampling is at its best in surveys dealing with an exploratory purpose for generating ideas and hypothesis.

Sample Unit

The respondents who asked to fill out the questionnaires are the sampling units. These comprise of students, salaried employees, Business people, home Maker, Professionals, Retired persons and other investor in Ottapalam Taluk.

Sample Size

The sample size was 100, which comprised of people from Ottapalam Taluk.

11. REVIEW OF LITRATURE

Sudalaimuthu and Senthil Kumar (2008) Mutual fund is the one of investment avenues the researcher research in this area about investors perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors, source of information about the market value of the units, investor's opinion on factors influenced to invest in mutual funds, the investor's satisfaction level towards various motivating factors, source of awareness of mutual fund schemes, types of plan held by the investors, awareness of risk category by investors, problems faced by mutual fund investors. Running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock market and also the awareness of the small investor. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor expectation. The result of these studies through satisfactory on the investor's perception about the mutual funds and the factors determining their investment decisions and preferences. The study will be useful to the mutual fund industry to understand the investor's perception towards mutual funds' investments and the study would also be informative to the investors.

Snail Gupta (2008) the investment pattern among different groups in city had revealed a clear as well as a complex picture. The complex picture means that the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class is going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments are concerned, people put their surplus in banks, past offices and other government agencies. Most of the cities though being rich have a tendency of investing then surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

Madhumathi.R (1998) in her study entitled "Risk Perception of Individual Investors and its Impact on their Investment Decisions" examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study revealed that majority of the investors were risk bearers and they had the tendency to use the company's performance as a basic factor to take investment decisions. They also depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial positions and social changes. They relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very objective and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.

12. DATA ANALYSIS TOOLS

Data analysis is done from the data obtained through questionnaires. To test the hypothesis Chi-Square Test was done.

Ho : There is no significant relation between risk tolerance level and gender
H**1**: There is significant relation between risk tolerance level and gender.

Table - 2
Hypothesis Testing

		Gender		
		Male	**Female**	**Total**
Risk Tolerance level	High	35	8	43
	Moderate	19	9	28
	Low	8	21	29
	Total	62	38	100

Source: Primary Data

Table - 3

Chi-Square Test

O	E	O-E	(O-E)	(O-E)2/ E
35	26.56	8.34	69.5	2.61
19	17.36	1.64	2.69	0.15
8	17.98	-9.98	99.60	5.54
8	16.34	-8.34	69.56	4.26
9	10.64	-1.64	2.69	0.25
21	11.02	9.98	99.6004	9.04
			X2	21.85

X-squared = 21.851, df = 2, p-value = 0.00001799

Tabulated value of chi square at 5% level of significance and 2 degree of freedom is 5.991 and the calculated value is 42.502. On the other hand the p-value is 0.00001799 with level of significance 0.05; here p-value is less than level of significance. Calculated value is more than tabulated value therefore null hypothesis is rejected. There is significant relationship between gender and risk tolerance level.

2. Ho: There is no significant relation between risk tolerance level and age group.

H1: There is significant relation between risk tolerance level and age group.

Table - 4

Hypothesis Testing

Age group (in years)							
	Between 20	**Between 20-30**	**Between 30-40**	**Between 40-50**	**Above 50**	**Total**	
Risk Tolerance Level	High	4	32	4	1	2	43
	Moderate	1	13	10	1	3	28
	Low	0	8	3	9	9	29
Total	**5**	**53**	**17**	**11**	**14**	**100**	

Source: Primary Data

Table - 5

Chi-Square Test

O	E	O-E	(O-E)2	(O-E)2/E
4	2.15	1.85	3.42	1.59
1	1.4	-0.4	0.16	0.11
0	1.45	-1.45	2.10	1.45
32	22.79	9.21	84.82	3.72
13	14.54	-1.84	3.39	0.23
8	15.37	-7.37	54.32	3.53
4	7.31	-3.31	10.32	1.50
10	4.76	5.24	27.46	5.77
3	7.93	-1.93	3.72	0.75
1	4.73	-3.73	13.91	2.99
1	3.08	-2.08	4.33	1.41
9	3.19	5.81	33.76	10.58
2	6.02	-4.02	16.16	2.68
3	3.92	-0.92	0.85	0.22
9	4.06	4.94	24.40	6.01
			X2	42.502

X-squared = 42.502, df = 8, p-value =0.00000109

Tabulated value of chi square at 5% level of significance and 8 degree of freedom is 15.507 and the calculated value is 42.502. On the other hand the p-value is 0.00000109 with level of significance 0.05; here p-value is less than level of significance. Calculated value is more than tabulated value therefore null hypothesis is rejected. There is significant relationship between age group and risk tolerance level.

3. Ho: There is no significant relation between risk tolerance level and income level.
H1 : There is significant relation between risk tolerance level and income level.

Table - 6

Hypothesis Testing

Income level (Rs.)						
	Between 1 Lakh	**Between 2 Lakh - 3 Lakh**	**Between 3 Lakh - 4 Lakh**	**Above 5Lakh**	**Total**	
Risk Tolerance Level	High	21	4	9	9	43
	Moderate	7	15	4	2	28
	Low	22	82	4	1	29
Total	**50**	**21**	**17**	**12**	**100**	

Table – 7

Chi square Value

O	E	O-E	(O-E)2	(O-E)2/E
21	2.15	1.85	3.42	1.59
7	1.4	-0.4	0.16	0.11
22	1.45	-1.45	2.10	1.45
4	22.79	9.21	84.82	3.72
15	14.54	-1.84	3.39	0.23
2	15.37	-7.37	54.32	3.53
9	7.31	-3.31	10.32	1.50
4	4.76	5.24	27.46	5.77
4	7.93	-1.93	3.72	0.75
9	4.73	-3.73	13.91	2.99
2	3.08	-2.08	4.33	1.41
1	3.19	5.81	33.76	10.58
2	6.02	-4.02	16.16	2.68
1	3.92	-0.92	0.85	0.22
				30.223

X-squared = 30.223, df = 6, p-value =0.00001073

Tabulated value of chi square at 5% level of significance and 6 degree of freedom is 12.592 and the calculated value is 42.502. On the other hand the p-value is 0.00001073 with level of significance 0.05; here p-value is less than level of significance. Calculated value is more than tabulated value therefore null hypothesis is rejected. There is significant relationship between income level and risk tolerance level.

13. SUGGESTIONS

The following suggestions are based on the individual investors' response which may be considered by the policy makers, the finance institutions and the investors.

1. While investing on shares, the investors must consider a variety of factors comprise of appropriate portfolio constructions to maximize the return and minimize the risk. Thus, the investors should always invest their money in different companies by subscribing its shares rather than investing in a particular company.
2. Some business people know the awareness about investment avenues but most of the respondents they don't have sufficient knowledge. Financial institutions should create awareness about available avenues for investment and have to tell the people what is the meaning of risk and how it could be mitigated.
3. Government should stress the financial institutions to conduct investor guidance workshops about available avenues for investment.

14. CONCLUSION

The study concludes that investment done in various investment avenues with the expectation of capital appreciation and short and long term earnings. The basic idea behind investment of all government, private, self-employed and retired person in this study is to utilize the surplus money in favorable plans so that the money will be rolled back as well as it will give high returns also. When a common men thinks about investment he will never go for any risky plan. In the present scenario the share and gold market is highly uncertain and unpredictable, so the investor should analyze the market cautiously and then make investment decision. In order to understand irrational behaviors of investors in the investment decisions, a risk perception mediated model has been developed to test the impact of different behavioral variables on the investment decisions. On the basis of previous studies it can be concluded that the asymmetry of information, risk taking behavior and decision context affect the perceptions of risk associated in a particular investment situation. Thus it can be said that stock market and investment situation influences the perceived risk of the investor; especially, information asymmetry is retained as an important explanatory factor of risk perception. Flow of information like decisions made by government bodies, media news etc. causes the stock prices to move up or down. Due to this behavior of stock market and due to new information, stock investors make their investment decisions. The study can be further expanded in the future by using various other behavioral and psychological factors such as heuristics, emotional biases etc which may have behavior.

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