

Investment Preferences and Influencing Factors of Indian Investors

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Abstract

This study is attempted to analyze the investors' attitude towards share market investments and non-risky investments among the respondents in Kerala. The first part of the analysis deals with measuring level of preference among individual respondents and second part of the analysis deals with the analysis of investment decision factors influence in risky and non-risky investments. This is empirical in nature and the data collected by using convenient sampling technique. The factor analysis and Regression techniques were used to analyse the samples. It concluded that, Banks is perceived as the top favored enthusiasm for Kerala. The Keralites gives more preference to Non risky investments while compare with Risky investments. The variables affecting the decision of various investments modes are emphatically impacting investment inclination among the individuals in Kerala.

Introduction

The instrument, strategy or any part which is used to manufacture additional compensation or wealth and the same gadgets were used to direct the danger and conceivable outcomes which are happened later on. The person who submits/contribute money to theory things or streets with the craving for future cash related points of interest is named as a budgetary expert. Each monetary expert is planning to enlarge the appearance from it. The endeavor fulfills the necessities and requirements of every theorist and they are pondering and abuse it as an increasingly raised degree of expansion, security, future preferences, charge special cases, prosperity, and liquidity, etc. (Giridhari et al 2011). The term adventure openings mean the differing hypothesis decisions available to the money related expert. A theorist's outlooks are through and through various. The one kind of theory streets is sensible only for that specific money related master and another may be fitting for another kind of examiner. Solitary examiner's suppositions about adventure streets are always remarkable. The influencing components on an individual's hypothesis decisions are one of a kind in connection to one individual to another. Each money related expert is wanting to support the

movement of pay from various sources or from various streets. Theorists pick different endeavor streets that give them with psychological satisfaction instead of money related preferences (Sasirekha P, 2015). As all, we know such countless hypothesis streets are available in our country. We can decode the term enthusiasm for two interesting habits. In the fiscal sense, it is progressively proper or related to cash related market. Regardless, we can see the hypothesis thought overall. In the more broad view, hypothesis includes as a medium or technique used to create future pay or return. In this wide sense, the term Investment can be described as verifying significant things and products not for the present use yet for future wealth creation. So it evacuates all open theory streets including Banks, Financial markets, Realspace, Gold and embellishments, etc. The disposition of every theorist is one of a kind. The one sort of hypothesis is fitting for that specific person. The tendency of every theorist toward the various kinds of adventure is always exceptional. Budgetary pro's measurement features like sexual direction, marital status, compensation, level of guidance and works solidly sway the theory selection of examiners (Anitha et al, 2014). The social and monetary classes of theorists have continually affected the endeavor decision of budgetary experts (Badger, 2000). The association's presentation gadgets like advantage, EPS, Dividend course of action, reputation and status, over a wide range of time displays and market money related conditions are the central factors that affect budgetary pros' theory choices (Ambrose Jagongo and Vincent S Mutswenje, 2014).). Critical degree of national hold subsidizes serves to higher hypothesis and a short time later it prompts an increasingly raised degree of monetary advancement (Kriekhaus 2002). Save reserves publicize in India acknowledges unfaltering advancement in individuals' speculation assets and it is becoming over some indistinct time allotment (Sellappan, 2013). The association between nuclear family save assets and theory show a strong positive relationship (Huseyin Kaya, 2010) and the connection between national speculation assets and adventure may not expect under the perfect relationship, since it may disappear (Feldstein and Horioka, 1980).

The nuclear family hold supports expectations are unprecedented, maybe they lead to additional use or it moves to future-orchestrated theory. As demonstrated by the Permanent compensation theory (Friedman, 1957) and life-cycle speculation (Ando and Modigliani, 1963), long stretch compensation as an essential factor that affects nuclear family usage. Secure Investment of money meets fiscal emergencies and improves the present lifestyle (Keynes, 1936). Hold assets and better adventure lead to Enjoying retirement life, for children's guidance and marriage and acquiring assets (Horoika and Watanabe, 1997). The most ideal possibility of save assets into theory makes an individual manage develop age times, give better guidance to kids, regulate commitment, huge asset purchase, and for an emergency (Claycamp 1963).

The mindset of respondents towards various endeavor streets is continually one of a kind. Since it depends upon the diverse measurement and socio-preservationist parts or components of the money related master. These segments are the noteworthy fundamental driving forces in while picking an endeavor.

This study is attempted to analyze the investors' attitude towards share market investments and non-risky investments among the respondents in Kerala. The share market investment options are equity, bonds, Derivatives/SWAP, Commodities, ULIP and SIPs, etc. and non-risky investments are Bank deposits, Post office savings, LIC and Real Estate, Gold and other valuable ornaments, Central Govt. guaranteed schemes etc. And it also investigate the factors influencing the risky and non-risky investments.

Literature Review

The Investment is a genuine issue in people's life (Veeramani et al, 2014). Regularly the term theory is connected with the development of wealth, advantage or a compensation. We simply considered the theory as wealth or a compensation delivering asset. A coin has various sides. As considering the endeavor, we can show the various sides of a hypothesis. First side, the technique or method used to extend the wealth, advantage and return. On the ensuing side, contraptions or instruments used to reduce the peril and conceivable outcomes. Future Perspective of authentic hypothesis will restrict money related authority's future hardship (Avinash K Dixit and Robbert S Pindyck, 1994). In the huge scale financial wide view, adventure is considered as any medium or frameworks which are used to augmentation or make the plenitude of individuals. Most of the earlier examinations drove in India contemplates the enthusiasm for this sense.

According to F. Amling: "Adventure may describe as the purchase by an individual or institutional theorist of cash related or certifiable assets that produce an appearance comparing to the danger acknowledged over some future theory period." As shown by David G Luenberger: "Adventure is the present obligation of benefits in order to achieve later favorable position". That suggests, it is the present obligation of money for the objective of getting (Hopefully continuously) better money later. Theory is the showing of causing a brief cost in the conviction of later rewards (Avinash K Dixit and Robbert S Pindyck, 1994).

The endeavor decision techniques the decision made by the budgetary authority in respect of pondering moderate and non-judicious parts. The moderate segments are assessed in the terms of

money and non-proficient segments are the segments that neither don't quantify nor sway at a higher rate in the endeavor decisions. The Investment decisions are unavoidable (Existing or being all finished) (Avinash K Dixit and Robbert S Pindyck, 1994).

All the endeavor outlets are not also incredible. The mood towards the hypothesis is made by the technique for giving adequate data and thoughtfulness regarding the endeavors. The most ideal data and care concerning the diverse endeavor plans help the monetary authorities to pick the best theory options (Stephen et al, 2009). The measurement components of the money related pro clearly impact the theory choices of the examiner. The mood of the adolescents and develop age people towards adventure is unprecedented (Anitha et al, 2014). The women's monetary authorities are less advantage expectation and they slant toward chit holds instead of various modes, because of diminishing the shows and they acknowledge chit accounts are the best liquid endeavor mode (Vijayalakshmi, 2009). In any case, the disavowing result delivered from another examination shows up, the women theorists India wanting to adore the upsides of capital thankfulness (Kanagaraj et al, 2014). The endeavor should provoke functional headway and it improves the idea of living, diminishes future socio-affective danger, social associations, etc (Naomi Rainey, 2014). Common India is generally dependent upon the Post Office save assets and it makes security in the minds of Indian rural people (SenthilKumar et al, 2014). Another assessment drove in nation India surmises the five critical influencing factors while considering the endeavor are, for instance, self-practicality, peril, return, peer bundle effect and cash related admonishing. Furthermore, the psychological parts have impacted the endeavor decision of the nation people in India (Kumara, 2013). The organization agent monetary experts, for the most part, depend upon the transient increment/advantage. So they are favored chit holds, lucky store, etc. The female theorists show a predominant tendency towards banks in perspective on the security, liquidity and the cost assurance. The reasonable compensation classes furthermore impact the endeavor temper of the people (Thulasipriya, 2014). The advancing monetary variable in like manner impacts the hold assets and hypothesis lead of the theorists (Unni C J, 2002). The endeavor demeanor is furthermore isolated dependent on the sex of the budgetary authorities (Arti et al, 2011). The theory selections of individuals are depended upon the measurement factors like compensation, sex, age, occupation, the spot of the living game plan, preparing, etc. All the while, the people furthermore

think about the features, for instance, prosperity, liquidity, tax breaks, security, and capital increment, etc (Giridhari et al, 2011). Peril and return are the critical determinant factors in an Investment decision (Veeramani et al, 2014). The organization's show, EPS, benefit approach, status and reputation of the firm inside and out choose impacts in the endeavor decision of the monetary authority (Ambrose Jagongo and Vincent S Mutsweje, 2014). The socio-reasonable classes are another influencing part of adventure decisions (Badger, 2000). What's more, Investments help to meet cash related potential outcomes, and it improves the lifestyle of money related authorities (Keynes, 1936) and the best hypothesis decisions and its decision prompts better retirement life, children's guidance, and marriage and purchasing huge assets (Horoika and Watanabe, 1997). Real difference available for later assets into adventure handles develop age times, give better preparing of youths, manage commitment, asset purchase, and meet cash related emergency (Claycamp, 1963).

Such immense quantities of segments have a basic effect while picking an endeavor. The influencing variable is differenced beginning with one individual then onto the following. In perspective on one's hypothesis goals, their endeavor decision has changed. Exactly when the theorist picks an endeavor decision, the hypothesis essential initiative parts expect a critical activity on it.

Objective of the Study

This study is attempted to analyze the investors' attitude towards share market investments and non-risky investments among the respondents in Kerala. The share market investment options are equity, bonds, Derivatives/SWAP, Commodities, ULIP and SIPs, etc. and non-risky investments are Bank deposits, Post office savings, LIC and Real Estate, Gold and other valuable ornaments, Central Govt. guaranteed schemes etc. The first part of the analysis deals with measuring level of preference among individual respondents and second part of the analysis deals with the analysis of investment decision factors influence in risky and non-risky investments

Significance of the study

This study is very helpful to the people in Kerala to understand their level of investment preference towards various share market investment options and other non-risky investment options. Normally, the previous studies indicate that, the people give higher affection towards the non-risky investments, because it is very safe and secure while compare with others. This study is really helpful to general public and other regulatory authorities, they can take adequate measures to improve the preference level among the general public with regard to risky and non-risky, if it is needed. It also provides insights for future researchers in this area.

Scope of the Study

This study is limited to Kerala, only 100 were collected. It only analyses the level of preference towards various share market investments and other non-risky investments and the factors influencing their level of preferences. The benefits of the study can be treated in various levels, which are mentioned earlier.

Methodology

The present study is empirical in nature and mainly based on primary data collected from 100 individual investors from Kerala. Convenience sampling techniques were used to collect the samples. The responses of the investors were sought for identifying the ranking for level of preference of the major stock market investment options on a scale ranging from highly preferable to not preferable. To analyze the responses, weights were assigned to these responses (5 to 0). Weighted Average Scores, Factor Analysis and Regression etc. statistical analysis used to carry out results.

Discussion of Results

This study is attempted to analyze the investors' attitude towards share market investments and non-risky investments among the respondents in Kerala. The share market investment options are equity, bonds, Derivatives/SWAP, Commodities, ULIP and SIPs, etc. and non-risky investments are Bank deposits, Post office savings, LIC and Real Estate, Gold and other valuable ornaments, Central Govt. guaranteed schemes etc. The first part of the analysis deals with measuring level of preference among individual respondents and second part of the analysis deals with the analysis of investment decision factors influence in risky and non-risky investments

Table 1**Level of Investment Preference among Keralites**

Investment Modes	Statistics		
	Mean	Standard Deviation	Rank
Bank Deposits	4.23	1.263	1
Post Office Investments	4.12	1.039	2
Insurance	3.73	1.215	3
Equity	3.56	1.343	4
Gold and Jewellery ornament	3.26	1.341	5
Real Estate	3.09	1.213	6
Bonds	2.76	1.022	7
Mutual Funds	2.25	1.007	8
Central Govt. guaranteed schemes	2.10	1.026	9
Derivatives/Futures/Options/Swaps	2.06	1.098	10
Commodities &ULIP's	1.89	1.297	11

SIP's	1.64	1.112	12
Debentures	1.28	.9874	13

Source: Primary Data

From the above table we can easily identify that, the Bank scored top preference in while selecting an investment with an average score of 4.23 on a five point scale with standard deviation of (1.268), followed by Post office savings. Insurance is rated as third rank, it scores an average of 3.73 with standard deviation of 1.215 and Equity enjoys fourth rank with average score 3.56 with standard deviation of 1.343. Next priority gives to Gold and Jewellery ornament investments. It scores an average of 3.26 and 1.341. As per the sample, the Real estate sector scores sixth rank (Average 3.09 and Standard deviation of 1.213) and Bonds rated in the seventh position with an average of 2.76 and standard deviation of 1.022. The mutual fund rated in eight position (Average 2.25 and Standard deviation is 1.007). Next position given to Central Govt. guaranteed schemes followed by Derivatives/Futures/ Options/Swaps and the final position given to debentures.

From the above table it is very clear that the people give maximum preference to non-risky investments while compare with risky investment options. The most of the top positions are hold by the non-risky investments.

Exploratory Factor Analysis -variables considers while choosing an Investment

The various suppositions towards various speculation choice components saw from the on a five five-point scale among respondents in Kerala.

For conducting the factor analysis, the prime criterion is the Eigen value should be greater than one. Additionally, the tests like the Kaiser-Meyer-Olkin test of sampling adequacy, Bartlett's test of sphericity are also concerned and satisfied. The Kaiser-Meyer-Olkin test value should be greater than .5 and test of sphericity must be significant.

The following table 2 shows the VARIMAX rotated factor component loading values and criterion tests values.

The variables identified from Roy, Robin., & Joseph, Antony (2018) and Arora, S., & Marwaha, K. (2013)

Table 2

VARIMAX rotated component factor matrix

Factor	Factors				
	Return and Future oriented	Diversification and Market Factors	Period and Risk	Present Conditions	Investment Cost and Profit
Attain retirement benefits	.859	.456	.365	.321	.213
Availability of published Information	.815	.261	.126	.369	.145

Financial emergencies	.749	.216	.269	.147	.269
Current Market indices (NSE/BSE)	.796	.215	.145	.126	.447
Common Stock returns	.741	.268	.261	.110	.113
Children’s education and Marriage	.874	.001	.460	.125	.110
Benefits of diversification	.333	.847	.214	.158	.141
Improving Financial Status	.113	.816	.169	.236	.214
Inflation and prices	.254	.789	.421	.354	.445
Inflation and return	.260	.726	.123	.256	456
To earn a fixed Regular Income	.211	.766	.225	.494	.358
Technical analysis and market efficiency	.146	.710	.258	.444	.379
Successful past investment experiences	.174	.482	.698	.197	.273
Stock split	.374	.193	.716	.425	.338

Shares closing price	.102	.449	.796	.287	.248
Settlement period	.014	.479	.697	.284	.291
Safety and liquidity	.369	.112	.874	.246	.253
Risk in the investment	.246	.369	.746	.489	.247
Present level of income	.122	.246	.237	.674	.446
Present economic conditions	.187	.478	.390	.632	.456
Pre-Investment consultation	.149	.490	.180	.645	.492
P/E ratio and EPS	.254	.364	.234	.792	.278
Mutual fund and market risks	.456	.154	.456	.742	.247
Make capital appreciation	.249	.258	.257	.713	.460
Limited savings of my family	.469	.260	.254	.114	.616
Interest rates on debentures/bonds	.436	.289	.267	.129	.621
To earn maximum gain/profit	.334	.347	.387	.291	.723

Transaction costs	.337	.459	.311	.264	.766
Eigen values	2.935	2.871	2.741	2.269	2.106
Sum of cumulative % of Variance	19.634	35.698	55.268	66.359	73.569
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.				.821	
Approx. Chi-Square				2179.485	
Bartlett's Test of Sphericity	Degree of freedom			95	
Significance				.000	

Source: Primary Data

The factor analysis reduces the 29 elements into 5 different components, by after fulfilling the all basic requirements. First component is called Return and Future oriented, Second group is titled Diversification and Market Factors, Third group is called Period and Risk, Fourth factor is named as Present Conditions, Fifth group is Investment Cost and Profit.

Impact of Investment decision factors on Investment Preference (Risky vs. Non-Risky)

For validating the dependence of investment preference factors (5 factor groups) on different components of Investment decision factors, the linear multiple regression analysis was applied. Here different investment group (Risky vs Non Risky) is the dependent variable and the influencing factors are the independent variables.

Hypotheses

- 1. **Ho:** The Non Risky Investments group is opted by investors is independent on different elements of investment decision factors.
- 2. **Ho:** The Risky investment group is opted by investors is independent on different groups of investment decision elements.

Mean of above distribution (Risky: 4.18E-15 & Non Risky: 6.39E-15) is very close to zero and the Standard deviation (Risky: 0.991 & Non Risky: 0.997) is approximately one, so this satisfies the characteristics of Standard Normal Distribution. The following tables are shows the results of regression analysis.

Table 3

Model summary

Investment Groups	Model	Sum of squares	df	Mean square	F	Sig.
Risky Investments	Regression	95.396	4	23.69	59.630	.000 ^b
	Residual	264.682	95	.496		
	Total	360.078	99			
Non-Risky Investments	Regression	41.659	4	15.69	37.116	.000 ^b
	Residual	126.319	95	.296		
	Total	167.978	99			

Table 4

ANOVA – model fitness for Different Investment Options

Investment Options	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
Risky Investments	1	.551 ^a	.564	.489	.7496	1.789
Non-Risky Investments	1	.658 ^a	.596	.463	.7129+	1.895

Table 5

Coefficients – Significance of the factors influencing Different Investment Options

Investment Options	Model 1	Un standardized coefficients		Standardized coefficients	T	Sig.
		B	Std. error	Beta		
Risky Investments	(Constant)	.079	0.026		0.324	.569
	Investment Cost and Profit	0.191	0.026	-0.127	1.675	.000
	Diversification and Market Factors	-0.096	0.242	0.354	4.143	.010
	Period and Risk	-0.078	0.237	0.345	5.161	.041
	Present Conditions	-0.03	0.031	0.269	5.641	.006
	Return and Future oriented	-0.021	0.031	-0.05	6.316	.040
Non Risky	(Constant)	.369	0.03		6.658	.095
	Investment Cost and Profit	0.123	0.03	0.295	-0.818	.049
	Diversification and Market Factors	0.158	0.03	-0.178	-1.143	.001
	Period and Risk	0.169	0.029	-0.04	-2.608	.036
	Present Conditions	0.208	0.027	0.256	-3.31	.000
	Return and Future oriented	0.301	0.342	0.269	4.161	.000

The model summary shows the estimation of R square and the standard blunder of the gauge. Since the R square of Risky Investments is .551, Non-Risky investments is .658 methods 55.1 percent of the variety in unsafe ventures, 65.8 percent of variety in non-hazardous speculations can be clarified by investment choice components. The essential standard of relapse examination is the Durbin-Watson test worth ought to be fewer than 2. The all the over three model synopsis gives it just under 2. The ANOVA table shows the estimation of F-measurement and its

noteworthiness. Since the essentialness esteem (0.000) of the relapse model is not exactly at 5 rate level of centrality. It uncovered that relapse of three distinctive speculation bunches on the venture choice variables is legitimate. That implies speculation choice elements have a critical effect on the choice of two diverse venture gatherings. The coefficient table shows that the t-values in regard to every single autonomous variable and their criticalness. In all cases, the centrality estimation of the free factors on the reliant variable is huge at 5 rate level of importance. That implies the speculation choice elements have a huge effect on the two distinctive venture alternatives. The Beta qualities show the general impact of the autonomous factors on the reliant factors two venture alternatives. The positive and negative indications of the Beta qualities provide the guidance of impact of autonomous factors on the reliant variable.

In Risky and Non-Risky Investments, the Beta estimations of Investment Cost and Profit are certain and the Risky and Non-Risky Investments are precedes onward a similar progression of these components. Expansion and Market Factors, Period and Risk, Present Conditions, Return and Future situated elements are shown negative beta worth which implies, the progression of physical speculation move the other way. Be that as it may, on account of Non-Risky Investments, the Beta estimation of every autonomous factor is sure. That implies Non-Risky Investment precedes onward a similar progression of all Investment choice components.

Conclusion

Banks is perceived as the top favored enthusiasm for Kerala. The Keralites gives more preference to Non risky investments while compare with Risky investments. The investigation endeavored to associate venture inclination and its main impetuses. This was done to distinguish whether the degree of investment inclination impacts the method of investments favored by the respondents. That implies the variables affecting the decision of various investment modes are emphatically impacting investment inclination among the individuals in Kerala.

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