

A Comparative Study of Investors' Preference towards Share Market Investment and Other Non-Risky Investment Avenues

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ABSTRACT

Investors' are the back bone of every nation. Because they are the only people ready to invest their funds to different avenues. There is a difference between investors and savers. Most of the savers are homogeneous in their investment pattern. But investors always search for different avenues. Now a days a large number of investment opportunities available to the investors. Among share market investment includes certain type of systematic risk and unsystematic risk. This paper tries to study about investors' preference towards risky and non risky investment alternatives. 50 people are selected randomly as sample respondents from Trivandrum (Kerala) city for this study.

Key words: systematic risk, unsystematic risk, investment avenues, investors, savers

INTRODUCTION

India is characterised by high population. It is a good sign for increase in individual savings. As per RBI annual report of 2012-13 22.3% of GDP contributed by household savings. Savings direly leads to the investment. For an investor there are a large number of investment avenues are available. On the basis of risk our investments can be classifies into risky investments and non-risky investments. There should be thorough analysis needed before making investment in risky alternatives.

Risky investments mainly include investment in financial market. It is the place where financial securities are exchanged. Financial market can be again classified into primary market and secondary market. In primary market people can only buy securities but at the same time in secondary market we can both buy and sell securities. Secondary market can be further divided into money market and capital market. Money market is highly sensitive market, and it is fully controlled by Reserve Bank of India. At the same time secondary market is under the control of SEBI. Share market comes under this secondary market.

The investment in share market creates some kind of foreseen risks and unforeseen risks. It is very difficult to forecast the future share price. It needs some extra knowledge related to the company, economic condition, government policy etc. It is possible to make investment in non risky avenues without any tension. Both are very essential part of financial market.

LITERATURE REVIEW

Radha.V (1995) in her study “A study of investment behaviour of investors of corporate securities” has conducted in Tamilnadu. Large number of respondents were selected as sample. She findout that educated people are ready to invest in corporate securities. It includes salaried people also. They always try to collect more information before making investment.

Kalavathy (2009)in her study “ A study on the savings and investment behaviour of salaried persons” is divided into two parts. In first part awareness of savings and investment is included. In the second part investors perception and satisfaction towards investment is included. The findings of the study was majority of the factors like inflation, interest rate, growth per capital income etc mainly affected the investment behaviour of investors.

Umamaheswary.S and Ashok Kumar (2011) in their study “ understand the investment pattern and awareness level of individuals belonging to the salaries class from the city of Coimbatore”. 1000 people were selected as sample for their study. For their study awareness level is classified into three: low, medium and high. The findings of the study were provident fund and gold is the main investment avenues of this city. Investment awareness of women and men were low.

Nupur Gupta and Vijay Agarwal (2013) in their study “domestic savings and investments by investors from the cities of Mumbai and Delhi. For this study 251 respondents were selected. In this study investments were classified into three: like risky, non risky and combination. The main findings were interest rate has no relation with investment patterns.

P.Parmashivivaiah, Puttaswamy and Remya (2013) in their study understand the factors deciding investment decisions in Mysore city. This study is based on the sample of 120 respondents. Judgement sampling and snow ball sampling were used for data collection. Data is collected on the basis of demographic profile of respondents. The main finding was liquidity and tax reduction are the important factors that affect investment decision.

OBJECTIVES

- To identify the risky and non risky investment alternatives.
- To study investors’ preference towards share market investment and other non –risky investment avenues.
- To determine the factors considering while selecting share market as an investment option.

SIGNIFICANCE OF THE STUDY

As a developing country like India, the savings and investment of individuals positively contribute towards the national growth. All the factors like risk, return, period of investment etc are very important before making investment. This is because different investment alternatives carries different corpus. It is very important to study the investors’ attitude towards various risky and non-risky investments.

RESEARCH METHODOLOGY

This paper is an analytical one. It is based on both primary data and secondary data. Primary data is collected from people of Trivandrum city (Kerala state), 50 respondents randomly selected for this purpose. Questionnaire is distributed and data is collected. Secondary data is collected from various journals, publications and books.

Investment Alternatives

Investment simply means commitment of funds for getting a favourable return. The main objectives of investment are getting regular income or capital appreciation. Before making an investment an investor must aware about the followings thins:

- All the documents related to investment.
- Conduct a detailed study about these all relevant documents.
- Understand all legal formalities of investment.
- Try to conduct a cost benefit analysis.
- Understand the liquidity and safety measures.
- Try to avoid unauthorised agencies.

The investments can be mainly classified into investments in real assets and investment in financial assets. Real assets are those assets of tangible in nature, like investment in gold, land, machinery etc. Now a days investment in real assets get high rate of return within a short span of time. By considering the current scenario investment made in these assets carries less risk. Financial assets are the securities which can be exchanged in financial market. It mainly includes debt, equity and hybrid securities.

Main investment avenues are listed as follows:

A. Bank deposits:

Indian economy is characterised by strong banking system. It is fully controlled by the apex institution RBI. Bank is the best believable option for Indian people to invest. There are a lot of deposit schemes like fixed deposit, savings deposit, recurring deposit, endowment deposit, current account etc.

B. Insurance schemes:

Insurance provide both safety and security. Now a days a lot of insurance agencies provide a lot of invest schemes like unlinked insurance palan (combination of insurance and investment), endowment plan, money back plan , fixed deposits, bonds, provident funds, national pension scheme, national savings certificate etc.

C. Chitty:

It is one of the old mechanism of investment. It was mainly concentrated on village areas. It means collection of small amount of money from a group of people in a certain interval. In that certain interval one person will get a lump sum amount through lot system. Generally chitty gets a wide acceptance from all groups of people.

D. Financial assets:

Financial assets mainly include three categories like equity, debt and hybrid securities. Equity includes investment in equity and preference shares. The investment in equity shares carries high risk and also high return. It always affected by economical fluctuations in the market. Before investing in shares the investor must have detailed analysis about the company in which they prefer to invest. Debt is another instrument. It mainly includes debentures. A debenture holder is treated as a creditor of an organisation. It is a secured instrument. Hybrid securities also known as semi govt securities. It is also secured instrument.

E. Post office monthly savings:

The name itself reflect the characteristics of this scheme. It is a scheme introduced by the post office. The investors can invest certain sum of money in a fixed interval. It is a long term investment plan.

Investors' preference towards share market investment.**A. Choice of investments**

Sl. No.	Instrument	Ranking
1	Fixed deposits	50
2	Savings schemes	45
3	Gold	13
4	Real estate	7
5	Share market	17
6	Post office savings	38
7	Chitty	44
8	Others, specify	

B. Factors considering while making share market investment

Sl No.	Factor	Rating by the respondents
1	Company's reputation	17
2	Financial position of the company	17
3	Profitability of the company	17
4	Dividend paid by the company	9
5	Current market position	12
6	News about the company	15
7	Future price determination about the company	11

C. Criteria for selection of an investment

Sl. No	Criteria of selection	Respondents	Percentage
1	Regular income	45	90
2	Capital appreciation	5	10
3	Less risk	46	92
4	High return	4	8

FINDINGS

For the development of our country investment in various sectors is needed. Majority of the investors are individuals those who are from households, salaried people and business men. The main findings of the study are as follows:

- The majority investors' comes under the age group of 30 to 40.
- All the sample respondents have investment in banks accounts.
- It is find out that all the investors are invested in more than three avenues.
- Only less number of people have share market investment.
- Regular income is the main objective of majority of the investors.
- Only few people are ready to take risk in their investment.
- There is no thorough knowledge about share market investment among investors.
- But investors try to understand the basic information before making investment.
- Lack of knowledge and inadequacy of funds are the main problems faced by the investors.

SUGGESSTION

From this study it is find out that proper education must be given to the people by the authorities. There is a chance of affecting fraudulent activities if the investors are not educated. A detailed awareness classes must be needed about share market and its scope to the investors. It is the availability to strengthen people to take risk in their investment. Then only investors can utilise the opportunities in the maximum extend.

CONCLUSION

Investment is the only way through which a country can develop. Investors contribute positively towards GDP. As the point of view of investors, they have only belief in bank deposits. It has to change. The risky investments have high return also. After the detailed analysis investors can invest their funds in better options.

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