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A STUDY ON INVESTMENT AVENUES IN KUMBAKONAM – AN INVESTORS PERSPECTIVE

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ABSTRACT

Nowadays the financial market is very wide, where financial sector provide different and wide range of opportunity to invest. Savings is very essential for an individual for lifetime. Savings is the amount where the people have after all the expenses so they invest these savings somewhere they feel it is safe. The difference the investor earns and investor spends are known as savings. Most of the people save a part of their earnings for future purpose. Most of the Indian investors change their investment plans drastically by evaluating everything. Investment decision cannot be too easily it needs to be analyzed very carefully. Different people consider different factors before investing. This research was done to known the different investors and the factors influencing them to invest in particular avenue. It was found that the most popular investment avenues are gold, stock market, insurance and the factors affecting them are mainly rate of return and the risk factor.

Introduction:

Savings means not spending all you current income on consumption. Investing on the other hand, is choosing what assets to hold. We may choose have invested in safe assets, risk assets, or a combination of both. In the common usage, however, the term saving is often take to mean investing in safe assets 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 expenditure 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 expenditure and receipts are dominated in cash, the net receipts at any time period are 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.

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 on interest from it.

There are two concepts of Investment

Economic Investment

The concept of economic investment means addition to the capital stock of the society. The capital stock of the society is the goods which are used in the production of other goods. The term investment implies the formation of new and productive capital in the form of new construction and producers durable instrument such as plant and machinery. Inventories and human capital are also included in this concept. Thus, an investment, in economic terms, means an increase in building. equiqment, and inventory.

Financial Investment

This is an allocation of monetary resources to assets that are expected to yield some gain or return over a given period of time. It means an exchange of financial claims such as shares and bonds, real estate, etc. Financial investment involves contrasts written on pieces of paper such as shares and debentures. People invest their funds in shares, debentures, fixed deposits, national saving certificates, life insurance policies, provident fund etc. in their view investment is a commitment of funds to derive future income in the form of interest, dividends, rent, premiums, pension benefits and the appreciation of the value of their principal capital. In primitive economies most investments are of the real variety whereas in a modern economy much investment is of the financial variety.

The economic and financial concepts of investment are related to each other because investment is a part of the savings of individuals which flow into the capital market either directly or through institutions. Thus, investment decisions and financial decisions interact with each other. Financial decisions are primarily concerned with the sources of money where as investment decisions are traditionally concerned with uses or budgeting of money.

Investment Objectives

Investing is a wide spread practice and many have made their fortunes in the process. The starting point in this process is to determine the characteristics of the various investments and then matching them with the individuals need and preferences. All personal investing is designed in order to achieve certain objectives. These objectives may be tangible such as buying a car, house etc. and intangible objectives such as social status, security etc. similarly; these objectives may be classified as financial or personal objectives. Financial objectives are safety, profitability, and liquidity. Personal or individual objectives may be related to personal characteristics of individuals such as family commitments, status, dependents, educational requirements, income, consumption and provision for retirement etc. The objectives can be classified on the basis of the investors approach as follows:

a) Short term high priority objectives: Investors have a high priority towards achieving certain objectives in a short time. For example, a young couple will give high priority to buy a house. Thus, investors will go for high priority objectives and invest their money accordingly.

b) Long term high priority objectives: Some investors look forward and invest on the basis of objectives of long term needs. They want to achieve financial independence in long period. For example, investing for post-retirement period or education of a child etc. investors, usually prefer a diversified approach while selecting different types of investments.

c) Low priority objectives: These objectives have low priority in investing. These objectives are not painful. After investing in high priority assets, investors can invest in these low priority assets. For example, provision for tour, domestic appliances etc.

d) Money making objectives: Investors put their surplus money in these kinds of investment. Their objective is to maximize wealth. Usually, the investors invest in shares of companies which provide capital appreciation apart from regular income from dividend.

Every investor has common objectives with regard to the investment of their capital

The importance of each objective varies from investor to investor and depends upon the age and the amount of capital they have. These objectives are broadly defined as follows.

a. Lifestyle Investors want to ensure that their assets can meet their financial needs over their lifetimes.

b. Financial security financial risks at all times. Investors want to protect their financial needs against

c. Return Investors want a balance of risk and return that is suitable to their personal risk preferences.

d. Value for money Investors want to minimize the costs of managing their assets and their financial needs.

e. Peace of mind Investors do not want to worry about the day to day. movements of markets and their present and future financial security.

Achieving the sum of these objectives depends very much on the investor having all their assets and needs managed centrally, with portfolios planned to meet lifetime needs, with one overall investment strategy ensuring that the disposition of assets will match individual needs and risk preferences.

Elements of Investment

a) Return: Investors buy or sell financial instruments in order to earn return on them. The return on investment is the reward to the investors. The return includes both current income and capital gain or losses, which arises by the increase or decrease of the security price.

b) Risk: Risk is the chance of loss due to variability of returns on an investment. In case of every investment, there is a chance of loss. It may be loss of interest, dividend or principal amount of investment. However, risk and return are inseparable. Return is a precise statistical term and it is measurable. But the risk is not precise statistical term. However, the risk can be quantified. The investment process should be considered in terms of both risk and return.

c) Time: time is an important factor in investment. It offers several different courses of action. Time period depends on the attitude of the investor who follows a 'buy and hold' policy. As time moves on, analysis believes that conditions may change and investors may revaluate expected returns and risk for each investment.

d) Liquidity: Liquidity is also important factor to be considered while making an investment. Liquidity refers to the ability of an investment to be converted into cash as and when required. The investor wants his money back any time. Therefore, the investment should provide liquidity to the investor

e) Tax Saving: The investors should get the benefit of tax exemption from the investments. There are certain investments which provide tax exemption to the investor. The tax saving investments increases the return on investment. Therefore, the investors should also think of saving income tax and invest money in order to maximize the return on investment.

Factors determining Investment

The activities related to investment consist of acquisition of assets, their maintenance and the liquidation of assets. A good investment should facilitate these investment activities and foster their growth. There are certain factors which are conducive to the growth of investment.

As investment is the result of savings, the government should introduce adequate measures to encourage savings accumulation. The rights of the investors who have invested their surplus in assets should be protected against any possible infringement.

a) Well organized monetary system

The existence of a well organized monetary system is essential for the growth of the investment market. Investment consists of channelization of surplus funds in specific form of assets. Payment for these assets in terms of currency of the country calls for the existence of a proper monetary policy. Such a policy should protect the investments against the evil effects of inflation. In fact, it should generate a stable price level, which in turn will contribute to a disciplined investment market.

b) Role of financial institutions

Financial institutions mobilize savings and channelize them for productive use in industry. There are two types of financial institutions in the Indian capital market, namely developmental institutions and investment institutions. Developmental institutions include IDBI, IFCI, ICICI, etc., which have been organized on an all India basis and state level bodies such as State Finance and Development Corporations. The national level bodies provide assistance to all India projects and regional projects. The state level bodies promote industrial growth in the respective states. Investment institutions include UTI, LIC, GIC etc. Apart from these, commercial banks accept deposits from the public and make them available for productive use. These financial institutions encourage capital formation which is essential for savings and investment.

c) Forms of business organization

Most of the businesses are organized in the form of joint stock companies. Perhaps the public limited companies are regarded as the most useful form for the investors in the view of their characteristics such as limited liability of the shareholders, perpetual succession and free transferability of shares. Other forms of organizations such as sole proprietorship carry unlimited liability. Further, the life of sole proprietary concerns and partnership firms are comparatively short, proprietary concern may come to an end on the death of the proprietor. Similarly, events such as death, retirement and insanity of partners may result in dissolution of the firm. So, investors do not wish to invest in these unstable forms of business.

Review of Literature

Herman, Andrew. F (2007) provided the estimation result and discussed that supported the initial hypotheses regarding the roles of race/gender in investment preferences. Using multiple specification and leveraging multiple risk/ return measures, the evidence pointed to significant
Effects with respect to both race and gender.

Parul mittsl (2018)-in their entitled “investment avenus in India and their evaluation” found that investment involved risk and avenus are most important for earnings point of view, avenus like bank deposit, bonds, shares, money market instruments, mutual funds, insurance policies, real estate and derivatives

Priyanka Subhas panpaliya, Mamta Mishra & Sanket Sanjay Bajaj (2020) In their paper entitled “Analyses of various Investment Avenues in India” studied the major three important avenues are mutual fund, bank FD and equity’s, and concluded investors taking higher risk and higher return in specific period of time.

Shinki k Pandey &Abhisheck Vishwakarama (2020) In their paper entitled “A study on Investment Preferences of young Investors in the city of Raipur Chhattisgarh” they express that preferences of investment avenues are available in market and those avenues impact on investment option, various avenues such as bank deposit, post office deposits, equity, mutual funds, gold, real estate. The investors are expected higher return from investment.

Research Methodology

The study would collect 50 samples through questionnaires that live in and around Kumbakonam. The primary data collected to analyze the investor’s perception towards different investment avenues and the factors influencing them is collected through questionnaires and the secondary data collected to understand about investment avenues is collected through websites, magazines, journals and articles.

Scope of the Study

Investment is done with an intention to own an asset or generate a return from investing in an asset. The study was conducted with a well-structured questionnaire with very relevant questions. The main aim of the study was to find the preference of investors towards different avenues, educational level and their awareness level. This study helps us to understand the investing habits of investors and the factors influencing them to invest.

Objectives of the Study

- To understand the investors perception towards various investment options in the selected places.
- To study the factors influencing different investment avenues.

Limitations of the Study

1. The study is being conducted in a particular city only.
2. The study is limited to a particular period.
3. Only few samples will be collected for this study.
4. The study considered only few factors to analyze investment behavior of individual investor.

Data Collection

Sample Size

The study would collect 50 samples through questionnaires that live in and around Kumbakonam.

Data Analysis Tools

The study has used various statistical tools to analyze the factors influencing the investor on choosing different investment avenues. Simple percentage analysis, ranking method and chi square method are the main statistical tools used for the study.

Sources of Data

Primary Data

The primary data collected to analyze the investor's perception towards different investment avenues and the factors influencing them is collected through questionnaire.

Secondary Data

The secondary data collected to understand about investment avenues is collected through websites, magazines, journals and articles.

Data Analysis and Interpretation

The data collected from the samples have systematically applied and presented in tables under various heading in the following:

Table 1.1: Showing the invested their savings of the respondents

Avenues	No. of Respondents	Percentage
Insurance	7	14
Fixed Deposit	13	26
Stock Markets	24	48
Government Bonds	6	12
Total	**50**	**100**

Interpretation:

From the above data, we can understand that most of the respondents prefer to invest stock market. Out of the 50 respondents, 48 percent of the respondents prefer stock market and the least preferred that is 12 percent to government bonds.

Table 1.2: Showing the purpose of investment of the respondents

Factors	No. of Respondents	Percentage
Safety	8	16
Risk	9	17
Rate Of Return	21	42
Monetary Period	12	25
Total	**50**	**100**

Interpretation:

The above data studies about the purpose of investment of the respondents, Out of the 50 respondents, 42 percent of the respondents look at the rate of return and 16 percent of the respondents look at the safety.

Findings and Suggestion

- From the data collected 48% of the respondents opt stock market to invest their savings.
- From the data it found that 42% of the respondents their main purpose of investing is to get high return on the investment

- From the collection of data it was found that all the respondents give support to investment none disagree with the investment. So we can identify investment plays an important role in our life
- Investment risk can be minimized which will in turn increase the investment by aged people.
- Investors can invest in both short term and long term securities which will enhance the return of their portfolio.
- Investors can consider other factors such as profitability, growth rate etc before structuring their portfolio.
- Investors can spread their investment across different sectors so as to maximize their return.

Conclusion

Investment simply means investing on an asset with an expectation to get a return in future that is mainly expecting an increase in the value of an asset. The investment decisions are influenced by different factors. While investment is done so many factors are being considered such as rate of return, future needs, safety of investment and many others. These factors are considered as per the requirements of the investor.

Thus the study helps to analyze the public interest towards various investment avenues and also the factors affecting it. It helps to understand investor's opinion on different investment strategies. For this study various basic statistical tools are used such as sample percentage analysis, ranking method and chi square analysis.

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