

Investment Avenues and the Factors behind Preferences of Investors in Shekhawati Region of Rajasthan

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Abstract

An individual can either consume his income or save it. Whatever he saves if invested systematically and carefully, can grow and it can even give him better rate of return than the rate of inflation. There are many investment alternatives because of which the investors may get confused about where the funds should be invested in. This paper attempts to study the features of different investment avenues and the factors that affect the preferences of investors while investing their funds. In order to achieve the objectives, survey method has been used and 160 respondents of different age groups and education background have been contacted to fill in the questionnaire. The study throws light on the factors based on which the investors make their choice while investing their funds.

Keywords: Investment, risk, return, investor and liquidity.

Introduction

Investment simply refers to employment of funds or savings in some investment avenues with the objective of earning income or return on it. Investment can be explained as a commitment of an individual's funds to earn income in various forms like: interest, dividend, rent, pension benefits and premiums or other benefits on his/her principal capital. Investment and speculation are the terms used interchangeably but they are different from each other. Investment has relatively longer planning horizon in comparison to speculation and an investor usually seeks a modest rate of return and on the other hand a speculator looks for high rate of return for the risk borne by him.

Risk-Return relationship: In order to evaluate the investment proposals, we need to analyse the level of risk associated with the investment avenues. It is said that the investment avenues carrying the higher risk provide higher return. Therefore, risk and return goes hand in hand. Generally an investor wants to take a risk-free low return and if he bears some risk he would demand risk premium.

Risk is nothing but the variability of returns associated with an investment. It may also be explained as the difference between actual and expected return on an investment.

Return is the reward on the funds invested. It acts as a motivating force for an investor. Assessing the return on an investment is very important as it facilitates the comparison among various alternatives.

Investment Avenues: There are various forms of investment. In the market, there are some securities which are called risk free on the other hand many securities are highly speculative. Investment avenues may be categorised into two types: security and non-security form of investment.

Security form of investment: The term security broadly means the certificates or investment alternatives that are traded and are transferable. Security form of investment includes:

- (a) **Equity Shares:** These are the ordinary shares and popularly known as “Common Stock”, which carry no preferential rights at the time of dividend payment and refund of capital. These shares provide the holders the ownership rights and residual interest in the earnings of the company. The holders of equity shares bear the maximum risk and also have the opportunity to control the affairs of the company.
- (b) **Preference Shares:** These shares carry preferential rights in the payment of dividend and also in the event of liquidation of the company. They always get the payment prior to the payment made to equity shareholders. Generally the dividend paid to the preference shareholders is predetermined at the time of issue of shares. These shares have no ownership rights.
- (c) **Debentures/ Bonds:** These are the debt instruments issued by a company under its common seal. It is a certificate in writing acknowledging the debt by the company. It provides the holders the safety of investment, liquidity and fixed and stable income. The company pays fixed rate of interest to debenture/bond holders whether it earns profit or incurs loss.
- (d) **Government Securities:** These securities are popularly known as gilt-edged securities. These are issued by the RBI on behalf of Govt. of India. The examples of these securities are: Zero-Coupon bonds, floating rate bonds, capital indexed bonds, partly paid stocks and Treasury Bills.

Non-Security form of investment: These investment alternatives are non-negotiable and not transferable. The following instruments are included in it:

- (a) **Bank Deposits:** This is one of the simplest investment avenues available for investors. It can be easily made by simply opening a bank account and depositing money. Investors can choose Fixed Deposit (FD) or Recurring Deposit (RD) as per their convenience. The rate of return on these schemes varies between 6 to 10 percent depending on the maturity period.
- (b) **Post Office Deposits:** Like the banking institutions, post offices also offer savings account, securing deposits and fixed deposit facilities. The rate of interest varies from 3.5% to 10% according to scheme and maturity period.
- (c) **Tax Sheltered Saving Schemes:** These are very important for tax-paying investors as these schemes offer tax relief according to income tax laws. Following are the schemes included in this category:
 - Public Provident Fund (PPF)
 - National Savings Certificate (NSC)
 - Kisan Vikas Patra (KVP)
 - Tax Saving Bonds
- (d) **Life Insurance Schemes:** It is a contract between two parties namely insured and insurer, which offers a specified sum of money on happening of an event to the insured or his nominated heirs. The event could be the expiry of the maturity date as per policy or the death of the insured before

the expiry date. Here the policyholders are required to pay a certain amount of premium periodically to the insurer.

- (e) **Mutual Funds and UTI Schemes:** Mutual funds act like financial intermediaries and gather savings of the individuals and institutions and invest them in corporate securities in such a way as to give the investor an assurance of three benefits: Steady return, capital appreciation and low risk. It is an indirect investing. Investors have many benefits to invest in mutual funds. These benefits include: Diversified portfolio, liquidity, various schemes, professional management and risk-hedging mechanism.
- (f) **Real/Physical Assets:** Real assets are the physical assets or goods like real estate, precious metals, precious stones and art objects or antiques. Real estate is proved very useful in a portfolio for income as well as capital gain. Gold and silver are the precious metals which have been the attraction for investors since ancient time.

Review of Literature:

Some studies have already been conducted which exhibit the perception of investors towards the investment avenues and also show the relationship between investment avenues and the factors behind their selection.

S. Guna Sekar, Dr sugundan N, Dr.Ch.Bala Nageswara Rao (2018) Majority of the investors preferred high returns with low risk. Large number of investors preferred mutual fund, equity funds, bank deposits. In equity fund risk is closely associated with that investment. Bank & post office deposits are safer investment and return will become low. Gold and silver are easily liquid investment. Real estate is one of the long term investments and it is useful in future events. Where in bonds and debentures are safer investment avenue and return also low. **Dr. D. Padmawathi & S. Saranya (2018)** exhibit that Investors' behaviour and preferences on various avenues depend upon the level of risk and the return benefits present in these investment avenues. Most of the investors are mostly following a conservative approach as far as investments are concerned and prefer to invest in the safe avenues which offer lowest risk though the returns are low. **Vidhi Makwana and Vivek Ayre (2020)** highlighted the behaviour of investors towards different investment avenues. The study revealed that people invest with different intentions like retirement plans, tax savings, children's education and marriage etc. The perception of the people and the information and knowledge they have highly affect the investment. **Shinki K Pandey and Abhishek Vishwakarma (2020)** revealed that the Young Investors are more inclined towards investment avenues like Equity Market for maximizing their capital and Mutual Fund, but still some of the people are interested in low risk options like Bank Deposits and Post office Deposits. **Vaibhav Chopra and Dr. Vijay Gondaliya (2020)** found that Savings account, Fixed deposits and life insurance were most preferred investment avenues whereas least preferred were commodity market and forex market. Qualification was found affecting investor's choice of investment. Most significant factors behind investment were return, safety of principle, risk associated and capital appreciation. **Dr. Baldeo B. Kakde and Dr Ashish A. Linge (2022)** used five investment options: bank schemes, insurance, post office, stock market and non-financial assets to understand which of these are the most and least preferred investment option among the investors (lecturers) in Vidarbha. The researchers found that the investors are very clear about their choices of investment avenues. Insurance is preferred by most of the investors. The second most preferred investment attribute is bank schemes

followed by stock market and post office. Nonfinancial investment is found to be the least preferred investment option. As per the comparison made, it was found that bank deposits have the maximum utility and the insurance policies carry the least utility.

Research Methodology:

The methodology adopted for the study is descriptive in nature and survey method has been used to collect the primary data in order to meet the objectives of the study. The objectives include the study of preferences of investors of different age group and also to study the factors which affect their decision of investing money in some investment avenues. 160 respondents were contacted to fill in the questionnaire out of which 150 questionnaires were completely filled in so the analysis has been made on the basis of completely filled in questionnaires.

Findings:

Based on the information received from the completely filled in questionnaires, the findings are the following:

Awareness regarding the investment avenues:

S. No.	Gender	No. of respondents (150)	Respondents Aware of security form of investment	Percentage (%)	Respondents Aware of non-security form of investment	Percentage (%)	Average Percentage of Awareness
1	Male	105	84	80	105	100	90 %
2	Female	45	27	60	38	84.44	72.22 %

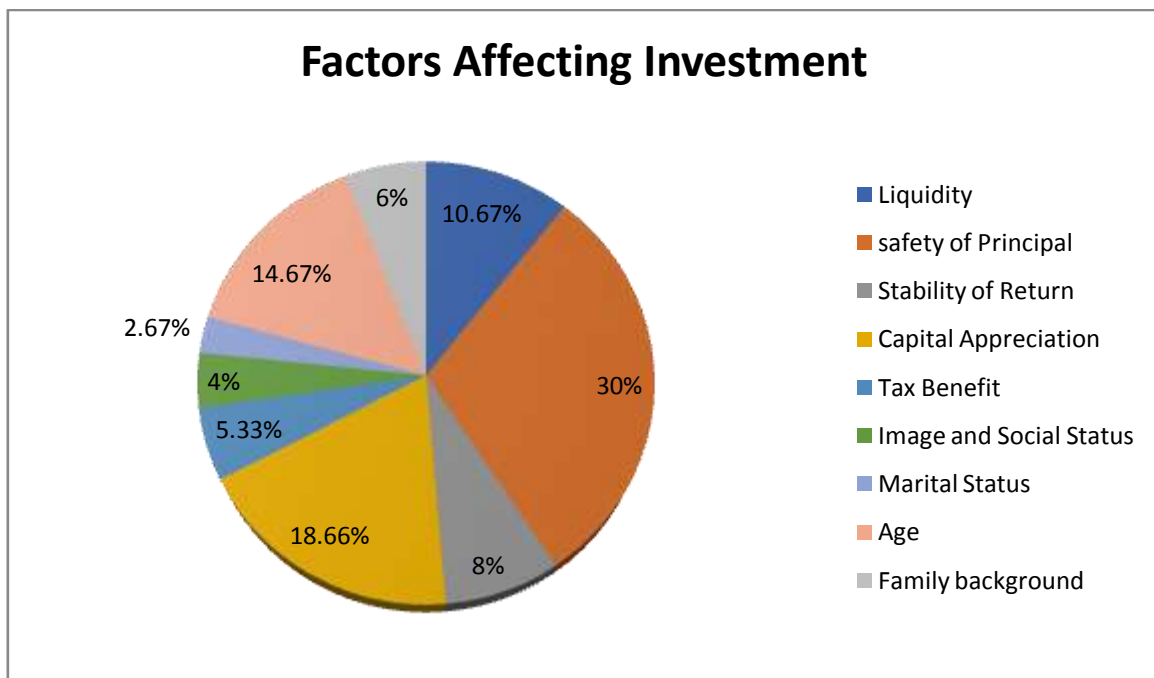
Preference towards investment avenues:

S. No.	Investment Avenues	Interested respondents	Percentage of total respondents (150)
1	Equity Shares	17	11.33 %
2	Preference Shares	4	2.67 %
3	Debentures/Bonds	3	2 %
4	Govt. Securities	6	4 %
5	Bank Deposits	44	29.33 %
6	Post Office Deposits	11	7.33 %
7	Life Insurance Schemes	31	20.67 %
8	Mutual Funds/ UTI units	20	13.33 %
9	Real Estates	8	5.33 %
10	Precious Metals/Stones: Gold/Silver	6	4 %

Factors affecting the choices of investors while making investment:

S.No.	Factor Affecting Investment	No. of Respondents	Percentage of total respondents (150)
1	Liquidity	16	10.67 %
2	Safety of Principal	45	30 %
3	Stability of Return	12	8 %
4	Capital Appreciation	28	18.66 %
5	Tax Benefit	8	5.33 %
6	Image and Social Status	6	4 %
7	Marital Status	4	2.67 %
8	Age	22	14.67 %
9	Family background	9	6 %

Graphical Representation:



Conclusion:

On the basis of analysis and findings of survey, the study indicates that around 90% of male candidates are aware of security and non-security form of investment and around 72% of female candidates are aware on an average basis. It is also found that majority of the investors are interested in non-security form of investment specifically in bank deposits followed by insurance schemes. Only 20% of the investors are interested in security form of investment. There are many factors that affect the preferences of investors but the study reveals that in this region, most of the investors, around 30% give preference to safety of principal amount while investing their money. Around 19% investors focus on capital appreciation. The least percentage was found of those people who think marital status as an affecting factor while investing their funds. It can be clearly said that people have their different needs and

accordingly they invest in different avenues but before making investment a careful analysis of the factors affecting their investment helps in getting optimum return.

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Questionnaire:

1. What is investment?
2. What is your investment objective?
3. What type of investor are you?
 - Regular ()
 - Occasional ()
4. Are you ready to take risk?
 - Yes ()
 - No ()
5. What can be the ways of safer investment and how can the risk be diversified?
6. Do you invest in portfolio to get better returns at minimized risk?
 - Yes ()
 - No ()
7. Are you aware of security and non-security form of investment?
 - Yes ()
 - No ()
8. Which form of investment do you prefer?
 - Security form ()

- Non-security form ()
9. Which investment option do you prefer?
- Govt. securities ()
 - Non-govt. securities ()
10. Which investment avenue are you interested in? Tick any one of the following:
- Equity shares ()
 - Preference shares ()
 - Debentures/ Bonds ()
 - Govt. securities ()
 - Bank deposits ()
 - Post-office deposits ()
 - Life insurance ()
 - Mutual funds/ UTI Units ()
 - Real estate ()
 - Precious metals /stones ()
11. Which factor affects your choice of investment avenues? Tick any one of the following:
- Liquidity ()
 - Safety of principal ()
 - Stability of return ()
 - Capital appreciation ()
 - Tax benefits ()
 - Image and social status ()
 - Marital status ()
 - Age ()
 - Family background ()
12. What is the time period you prefer to invest?
- Short term ()
 - Medium term ()
 - Long term ()
13. Do we need any financial literacy campaign?
- Yes ()
 - No ()
14. Does education background affect investment choice?
- Yes ()
 - No ()
15. Do you prefer regular periodic return or capital gain?
16. Do you consult any financial advisor before making investment?
- Yes ()
 - No ()