

A Study on Investment Preference of Individual Investors in Chennai City

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Abstract

This paper aims to identify the investment preference of individual investors in Chennai City. The variety of investment opportunities for an individual in India are Depositing in banks and non banking financial institutions, Depositing in commodity Markets, Depositing in Post Office Schemes , Depositing in debentures and bonds of Government, Depositing in Mutual fund Scheme Depositing in LIC Schemes, Depositing in Tax saving investment, Depositing in equity shares, Depositing in Physical assets(Gold, Silver, Land). The major reasons for investment are safety for principal amount, Income stability, Liquidity and capital appreciation. Investors invest in investment opportunities depending their risk level. The major principle of investment if “No Pain No Gain”. High risk high return is the Mantra for investment. But investors can minimise their risk by selecting the right portfolio. For the study, the survey was conducted from 150 Individual investors. Cross tabulation and Chi square test were used for the study. It is concluded that Individual investors give first preference to deposition in Nationalised Banks and second preference to Investing in equity shares.

Keywords: *Investment Behaviour, Individual Investors, Investment Avenues, portfolio*

I. INTRODUCTION

Investment preferences differ from person to person, as each individual behaves differently while investing. Investment behaviour of the individual is influenced by his/her own environment. With an anticipation of creating high returns over a period of time and at certain level of risk, individuals invest in different financial products. . The variety of investment opportunities for an individual in India are Depositing in banks and non banking financial institutions, Depositing in commodity Markets, Depositing in Post Office Schemes , Depositing in debentures and bonds of Government, Depositing in Mutual fund Scheme Depositing in LIC Schemes, Depositing in Tax saving investment, Depositing in equity shares, Depositing in Physical assets(Gold, Silver, Land). The major reasons for investment are safety for principal amount, Income stability, Liquidity and capital appreciation. Investors invest in investment opportunities depending their risk level. The major principle of investment if “No Pain No Gain”. High

risk high return is the Mantra for investment. But investors can minimise their risk by selecting the right portfolio. This study attempts to find out the investment preference of individual investors in Chennai City.

II. LITERATURE REVIEW

Wadhwa, Vashisht & KaurVashisht (2015) Occupation level, education level and financial literacy are the major factors for deciding investment. Narayana (1976) found that bank deposit, shares are the most preferred investment. Abhijit Dutta (2000) concluded that individual investors have high confidence in themselves and depend on market information. Kirshnudu.Ch, B. Krishna Reddy and G. Rama Krishna Reddy(2005) have found out that the Investors are mostly influenced by family members while taking decisions on investment. Sunatan Khurana (2008) found that that protection is the main purpose for taking an insurance policy. Kasilingam.R and Jayabal.G (2009) pointed out that small savings investment schemes get good results. Selvatharangini P.S (2009) concludes that generally people differ in their taste and preference. Kaboor.A (2010) finds that financial literacy is not uniform among different groups of investors. Poongavanam (2017) stated that banks are not performing well, investors do not prefer to invest in banks.Rajasekar (2013)Indian investors seek for safety, security and performance rather than easy encashment or customer service in mutual fund investment.K. Jothilingam and Kannan (2013) found that there is no significant relationship between gender and the objective of investment. Rajasekar (2014) All the insurance offices are performed well and the premium income of life insurers especially in the private sector increased, this is due to the increase in household sector savings.Divyaranjani (2013) Company performance is the major factors which may attract the share holders. Rajasekar (2017) stated that the empowerment happens then employees would work to deliver under all circumstances and loyalty becomes a natural choice thereby avoiding problems of employee turnover and employee invest their own company's shares.

III. STATEMENT OF THE PROBLEM

The capital formation of our country depend on the saving habit of the individual. The investors' opinion on investment opportunities based on their preferences vary from person to person. Liquidity and safety play a major role in the investment decision; tax exemption and other factors are also taken into consideration. Apart from the above factors, there are demographic factors which influence the decision on investment. The study aims to find out the investment preference preferred by individual investors in Chennai City.

IV. OBJECTIVE OF THE STUDY:

- To study the investment preference of individual investors in Chennai city.
- To Check whether investment preference of individuals differ on the basis of age, occupation and income.

V. METHODOLOGY OF THE STUDY:

The nature of the study is Empirical Study. The primary data have been collected through a structured questionnaire. The respondents of the study are individual investors. The data were collected from 150 individual investors in Chennai City. The Collected data have been analysed by making use of Frequency, cross tabulation and Chi Square Test.

VI. LIMITATION OF THE STUDY:

1. Only individual investors are taken into consideration. Institutional Investors are ignored.
2. The study was confined to Chennai alone.
3. The sample size is 150 only.

VII. ANALYSIS AND INTERPRETATION

Table. 1. Table showing demographical profile of the respondents

Variables	Particulars	frequency	percentage
Age	Below 30 yrs	34	22.67
	30yrs -50 yrs	60	40
	Above 50 yrs	56	37.33
Occupation	Salaried	60	40
	Self employed	52	34.67
	Retired	38	25.33
Income	Less than 25,000	58	38.67
	Rs.25,000 – Rs. 50,000	72	48
	Above Rs. 50,000	20	13.33
Experience in Investment	Less than 6 months	16	10.67
	6 months – 1 years	28	18.67
	1 years– 3 years	48	32
	3 years – 5 years	26	17.33
	Above 5 years	32	21.33

From the above table, it is inferred that

- Most of the investors of the survey aged between 30 years – 50 years
- Most of the investors of the survey are salaried
- Most of the investors of survey earns income ranging Rs.25,000 – Rs.50,000
- Most of the investors of survey have 1 year to 3 years of experience in investing.

Individual investors have various investment opportunities to invest for the purpose of safety and also to earn some income from it. The interpreted results are stated in the following table:

Table 2 ; Cumulative percentage of investors preference of individuals

Investment	Frequency	Percent	Valid Percent	Cumulative Percent
Depositing in Bank	46	30.7	30.7	30.7
Depositing in Commodity Market	8	5.3	5.3	36
Depositing in Post office Scheme	4	2.7	2.7	38.7
Depositing in debentures and bonds of Government	4	2.7	2.7	38.7
Depositing in mutual fund schemes	10	6.7	6.7	48
Depositing in LIC schemes	8	5.3	5.3	53.3
Depositing in Tax saving schemes	12	8	8	61.3
Depositing in equity shares	22	14.7	14.7	76
Depositing in physical assets (gold,Silver, land)	36	24	24	100
Total	150	100	100	

From the above table, it is inferred that individual investors give first preference to depositing in Nationalised Banks. Their second preference is to depositing in physical assets like gold, land , durable goods etc.

Table : 3 Dependence on investment preference on the basis age

Investment	Below 30	30 yrs-50 yrs	Above 50 yrs	Total
Depositing in nationalised banks	12	14	20	46
Depositing in commodity market	2	4	2	8
Depositing in post office schemes	2	2	0	4
Depositing in debentures and bonds of Government	0	2	2	4
Depositing in mutual fund schemes	0	8	2	10
Depositing in LIC schemes	4	2	2	8
Depositing in Tax saving schemes	0	6	6	12
Depositing in equity shares	4	10	8	22
Depositing in physical assets	10	12	14	36
Total	34	60	56	150

Chi Square Test

	Value	Df	Asymp Sig (2 sided)
Pearson Chi-square	21.613	16	0.156
Likelihood Ratio	27.335	16	0.038
Linear by Linear Association	0.092	1	0.761
No. of valid cases	150		

19 cells (70.4%) have expected count less than 5. The minimum expected counts is 0.91

Results: the calculated value is 0.156, which is less than 0.05. Thus Dependence of investment preference on age is not significance at 5% level. There is no significant differences in the preference of investment on the basis of age.

Table : 4Dependence of Investment preference on the basis of occupation

Investment	Salaried	Self employed	retired	Total
Depositing in nationalised banks	14	14	18	46
Depositing in commodity market	2	4	2	8
Depositing in post office schemes	0	4	0	4
Depositing in debentures and bonds of Government	2	2	0	4
Depositing in mutual fund schemes	6	4	0	10
Depositing in LIC schemes	6	4	0	16
Depositing in Tax saving schemes	6	0	2	8
Depositing in equity shares	10	2	0	12
Depositing in physical assets	14	12	10	36
Total	60	52	38	150

Chi Square Test

	Value	Df	Asymp Sig (2 sided)
Pearson Chi-square	42.072	24	0.013
Likelihood Ratio	49.543	24	0.002
Linear by Linear Association	5.637	1	0.018
No. of valid cases	150		

27cells (75.0%) have expected count less than 5. The minimum expected counts is 0.05

It is inferred that dependence of investment preference on occupation is significant at 5% level. There is a significance difference on the preference of investment on the basis of occupation.

Table 5 :Dependence on investment preference on the basis of Income

Investment	Below Rs.25,000	Rs.25,000 to Rs.50,000	Above 50,000	Total
Depositing in nationalised banks	16	22	8	46
Depositing in commodity market	6	2	0	8
Depositing in post office schemes	4	0	0	4
Depositing in debentures and bonds of Government	0	4	0	4
Depositing in mutual fund schemes	2	4	4	10
Depositing in LIC schemes	6	4	2	8
Depositing in Tax saving schemes	4	12	6	12
Depositing in equity shares	4	12	6	22
Depositing in physical assets	16	20	0	36
Total	58	72	20	150

Chi Square Test

	Value	Df	Asymp Sig (2 sided)
Pearson Chi-square	36.178	16	0.003
Likelihood Ratio	43.577	16	0.000
Linear by Linear Association	0.003	1	0.959
No. of valid cases	150		

19 cells (70.4%) have expected count less than 5. The minimum expected counts is 0.53

The calculated value is 0.003 which is less than 0.01, thus, the dependence of investment preference on income is significant at 1%. There is a significance difference of preference of investment on the basis of income.

VIII. SUMMARY OF FINDINGS:

Individual Investors' first preference in their investment pattern is depositing in Nationalised banks. Their Second preference is investing in physical assets and third is in equity investment. Investment pattern of individual investors do not differ according to age. But the individuals' preference in investment varies on the basis of occupation and income.

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