



VARIOUS INVESTMENT AVENUES OPTED BY INVESTORS IN BENGALURU

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Abstract

Investment is a crucial activity for the fulfillment of an individual's financial needs. There are various investment opportunities which investors should be aware of and choose the most suitable investment avenues according to their financial goals. Nowadays, there are a lot of new emerging investment avenues available on digital platforms (CryptoCurrency, Digital gold, etc.) which can be accessed by people from any part of the globe. Due to lack of awareness about it, investors are losing out on the opportunities to invest in such investments. There are a few factors that an investor considers while or before making an investment decision. These include safety of principal amount, risk associated with the investment, rate of return, liquidity, income stability, market trends, etc. Hence the objective of our study is to understand and analyze the various investment avenues preferred among the investors. Secondly, to analyze the factors affecting an investor's decision. We conducted our research using both primary as well as secondary data. The data for our study is collected through a structured questionnaire. Based on the responses received from 100 respondents, we inferred that most preferred investment avenues among the investors are safe investments as the risk associated in these avenues are low. Young investors are opting for low risk or moderate risk investments rather than high risk investments. Investors should be willing to explore other investment avenues other than those they usually prefer. We collected the secondary data by referring to various article were published by different authors.

Keywords: Investment Avenues, Investor's awareness, Investor's preference.

Introduction

Investment is wisely putting the resources, usually money, into its best use in order to achieve good returns from it and also to fulfill financial goals. An investor has various objectives or purposes to invest their money such as to keep their money safe from being eroded with time, to achieve their financial goals, to help them reduce their tax burden, to help their money grow, etc. There are also various factors influencing an investors decision which includes safety of principal amount invested, rate of return from an investment, risk associated with it, liquidity of security, maturity period of an investment avenue, tax benefits from it, regularity of income, market trend, etc.

Types of various investment avenues

There are various investment avenues available. It can be classified under various categories depending on the return on investment, risk associated with the investment, maturity period, growth, liquidity, etc.

Some of the important investment avenues are mentioned below:

Bank deposits: It's the simplest and most preferred form of investment avenues, by opening a bank account and depositing money in it one can make a bank deposit. There are various kinds of bank accounts: Savings account, Fixed Deposit Account, Recurring Deposit Account etc. Fixed deposit investments gives us tax exemption upto Rs. 1,50,000 under section 80 C of Income Tax Act. Deposits in scheduled banks are safe because of the regulations of the Reserve Bank of India.

Post Office Savings Account: A post office savings account is similar to a savings bank account. Its features are: The interest rate is 3.5% per annum. The interest rate is a tax attempt. The amount of first deposit should be at least Rs. 20 for an ordinary account and Rs. 250 for a checking account. The maximum balance that can be held is Rs. 50000 for a single account and Rs. 100000 for a joint account.



Public Provident Fund: This is one of the most appropriate investment avenues for those who are planning on saving for their retirement. This offers regular return and has a high degree of safety. Upto Rs. 1,50,000 of tax rebates is allowed as per section 80 C of Income Tax Act. This is subject to a lock-in period of 15 years.

Government Securities: These are one of the most secure and highly liquid securities offered by the state and the central government. They are backed by a sovereign guarantee, hence these are a low risk investment avenue.

Real estate: It is a property consisting of land, building and natural resources. Real estate is the process of buying, selling or renting these properties. Investing in real estate provides capital appreciation as well as regular income in the form of rent.

Mutual fund: A mutual fund is a company that pools money from many investors and invests this money in various securities such as stocks, bonds and short term debt, etc. A part of the return is paid to the investors in the form of interest.

Stock: Stocks of blue chip companies provide relatively high gains on dividends and give the investor a benefit of capital appreciation . These stocks are more stable as they are issued by well established companies.

Debenture: These are long term investments which provide a fixed rate of interest. These are generally issued by the Government or corporates to raise the capital to meet their short term or long term financial obligations. Investors generally invest in debentures based on credit worthiness and reputation of the issuer.

Gold: Investors can invest in various forms of gold. It can be in the form of physical gold or stocks of gold mining companies. Generally Indian investors prefer investing in gold and it is also regarded as prized possession. It is one of the investment avenues which has the power to beat inflation.

Crypto currency: Cryptocurrencies such as Bitcoin are digital currencies not backed by real assets or tangible securities. They are traded between consenting parties with no broker and tracked on digital ledgers.

Insurance :Insurance is a contract or agreement between two parties under which one party undertakes risk, in consideration of a certain premium to indemnify the other party against a certain amount of loss arising due to uncertain events. As per section 80C premium paid on life insurance is maximum deducted upto 150000 under Income Tax Act of 1961.

Forex market : The foreign exchange market allows participants to buy and exchange currencies for both hedging and speculative purposes. The forex market is the world's largest market, it consists of banks, commercial companies, central banks, investment management firms, hedge funds, forex market brokers and investors.

Objective of the Study

1. To understand and analyze the various investment avenues preferred among the investors in Bangalore.
2. To analyze the factors influencing investor's decisions.



Review of Literature

Shruthi Ramesh and SmitaKavatekar (2019) have analyzed that the majority of the investors have annual income of two lakhs and above. They have also found that most of their respondents have financial goals and prefer to invest in medium risk avenues. They have analyzed that there is a significant association between financial goals, age and marital status. Investing in Fixed deposits, LIC (insurance), and real estate are the top preferred investment avenues. Majority of the investors prefer to invest for a medium term.

Akshaya Babu, AnbuSelvi, BenadictaFelci Louis (2019) through their research identified that the majority of the investors consider safety as the main factor while choosing their investment avenues. Insurance is the most common and most preferred investment option and followed by bank deposits. They also say that even though most of the investors are partially or fully aware of different investment options, only a less percentage of investors opt for such options. Hence they have suggested the investors to apply their knowledge and invest in those securities which would give them a higher return.

Manisha and Dr. Surendra Kumar Bhogal (2020) examined preferred investment avenues by working class investors with an objective to find preferred investment avenues and also awareness among investors by taking 40 responses and by using various statistical tools and found that investors are aware about investment avenues available in India but still investors are preferred to invest in bank deposit, real estate, metals(Gold).The data analysis reveals that the safety is important factor while doing investment so remaining avenues are less considerable while doing investment by investors.

Dr. C.N.Rubha and Dr. P.K Uma Maheshwari (2021) have suggested that the investors should gain complete knowledge about the investment before investing.

They are saying that around 65% of the investors are aware of investments but they don't have a complete knowledge or information about the investments, and the investor has to acquire the knowledge about them. The researchers are advising the investors to invest their money in those securities with minimum risk like mutual funds, debentures etc, as 40% of the investors in their sample collected say that the influencing factor of their investment is the regular income they earn. They also suggest that investors who prefer real estate can invest their funds on land as its value increases day by day instead of keeping the entire investment amount in bank deposits. They recommend that if the investors prefer to cover the risk of life as well as get tax benefits, they can opt for insurance schemes. And they also mention that there are various post office schemes which are more beneficial compared to the interest rate offered by banks, and the investors should also be aware of that avenue of investment.

Limitations

The study is limited to only 100 respondents.

The survey is conducted only in Bangalore city.

The study also has a limitation of time, place and resources.

Research Methodology

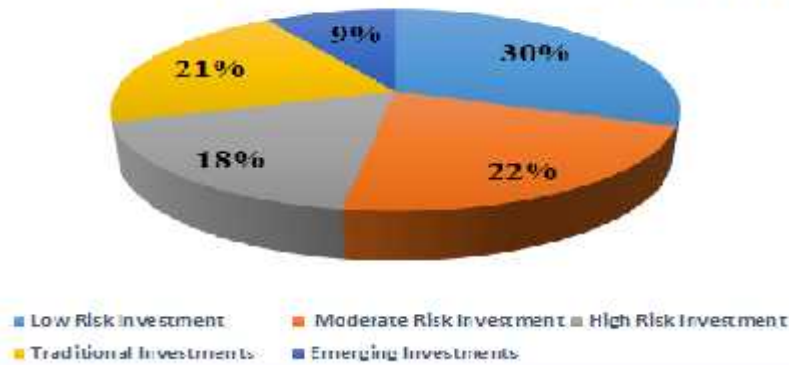
This study was conducted by using both primary data and secondary data. The data required for our study was collected through a structured questionnaire. We have used the convenient sampling method to collect data from the respondents in Bangalore. The major part of our analysis is based upon the percentage analysis. We received 100 responses and used the same to conduct our further analysis and interpretation.

Analysis and Discussion

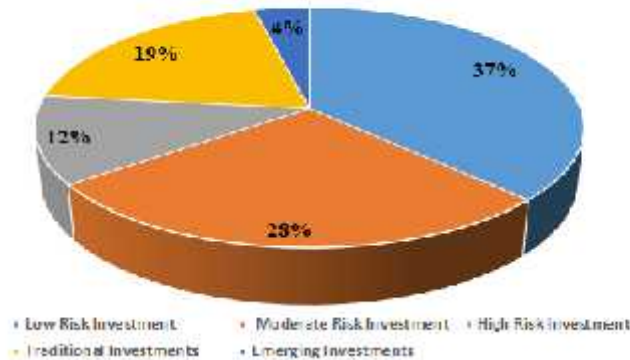
Comparison between Awareness and Preferences about various investment avenues among the investors
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Awareness about various investment avenue



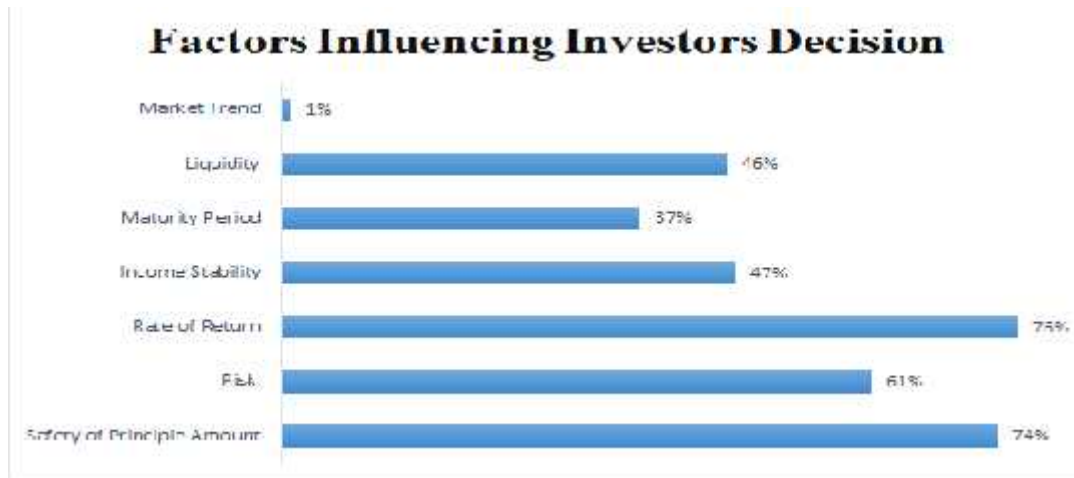
Preferred investment avenues by investors



1. From the above data, we can observe that investors are very much aware about most of the investment avenues but they are unwilling to invest in them. This might be due to various factors associated with that particular investment avenue like risk, rate of return, safety of principal amount, liquidity, etc.
2. Low Risk Investment Avenues are one of the most popular investment avenues as most of the investors are aware as well as prefer to invest in these avenues, mainly due to low risk associated with it and safety of principal amount.
3. Moderate Risk Investment Avenues are the common investment avenues among the investors and the second most preferable investment avenues among our respondents. The rate of return as well as risk involved in these investments are comparatively higher than low risk investment avenues. On the other hand the rate of return and risk in these avenues are lower than high investment avenues.
4. As per the above pie chart, we can observe that our respondents are aware about the high risk investment avenues but they are hesitant to invest in the same. This is maybe due to the low risk appetite of the respondents and instability of the market conditions.
5. Traditional Investment Avenues are the most popular and common investment avenues among the Indian households, and it is evidently seen among our respondents as well.
6. The percentage of awareness as well as preference towards emerging investment avenues among the investors is least compared to other investment avenues. This can be because these investments are mostly issued on digital platforms and not backed up by tangible security or real assets.



Factors Influencing the Investors decision



1. There are many factors an investor considers before investing his money in any avenue. These factors can differ from one investor to another.
2. Rate of Return and Safety of Principal Amount are the top most priority of our respondents while investing their money in any of the investment avenues. Through the above graph, we can observe that 76% of our respondents are looking for a rate of return from the investment and 74% of them are influenced by the safety of principal, while making their investment decisions. Most of our respondents are looking for growth in their investment and they want to ensure that their principal amount is safe.
3. Around 61% of the respondents are considering the risk factor associated with the investment before taking up their investment decisions. Since, risk and rate of return are directly related to each other, if the respondents what high rate of return they should be willing to take high risk as well.
4. Our respondents have given almost the same weightage to the factors like liquidity and stability in income. Around 46% of the respondents are looking for the liquidity of the investment and 47% of the respondents want a stability of income through their investment
5. 37% of our respondents consider maturity period as one of the essential factors influencing their investment decisions as their financial goals differ from each of the individuals.
6. Market Trend is given the least priority among our respondents, but yet it is an important factor to be considered.

Findings and Suggestions

1. Based on the responses received, most of our respondents are students who belong to the age group of 18 - 25 and their income is below 2,00,000 with medium risk appetite. Ideally these investors should have a high risk appetite as they have fewer financial commitments. So it is suggested that these investors should aim for long term investments and should be willing to take high risk. They should invest in avenues such as equity, mutual funds, FOREX markets, crypto currencies, etc.
2. The respondent's income level is another important factor that has an impact on their portfolio of investment.
3. Before investing in any investment avenues, one should be clear with his / her investment objective and financial commitments in order to achieve the desired goals.
4. Investors should avoid jumping into conclusions with the little information they know, rather they should develop patience and gather complete, appropriate information before investing.
5. Investors should be careful and not get driven by the psychological biases and myths while investing in the stock market and other new investment avenues.
6. Investors should be willing to explore other investment avenues other than those they usually prefer.



Conclusions

The principle of investment management is “No pain no gain”. If investors want high returns they should be willing to take high risks. Risk is inevitable in an investment but it can be minimized by diversifying the investment avenues. However there are a few risk free assets which are exceptions to this. It is necessary for investors to always be aware of various investment avenues. Risk appetite, liquidity, safety and rate of return are some of the important influencing factors that are leading to the investors financial well-being.

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