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INVESTMENT PREFERENCES OF INVESTORS IN FINANCIAL MARKET – A STUDY OF WARANGAL

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Abstract
India is a developing country. Now days many people are interested to invest in financial markets especially on equities to get high returns, and to save tax in honest way. Equities are playing a major role in contribution of capital to the business from the beginning. A financial market is a market in which investors can trade in financial securities, commodities, other fungible items of value at low transaction costs and at prices that reflect supply and demand. Investors preferring to invest in the Securities include stocks and bonds, and commodities include precious metals or agricultural goods etc. The present research paper is focusing on the investment preferences of investors in the financial market.

Key Words: Financial Market, Equities, Investment, Bonds, Precious Metals.

Introduction
One significant component of the financial system in India comprises of financial markets which perform a crucial function in the savings-investment process as facilitating organization. They are not sources of finance but they are a link between the savers and investment, both individual as well as institutional. There are various investment options available to the individual. The options could be a bank deposit, a post office account, investment in shares, real estate, bullions etc. with so many options available, it is obvious that one faces a dilemma as to which investment option; one should go for and also at the same time having a diversified portfolio.

Financial Markets
Finance is the pre-requisite for modern business and financial institutions play a vital role in the economic system. It is through financial markets and institutions that the financial system of an economy works. Financial markets refer to the institutional arrangements for dealing in financial assets and credit instruments of different types such as currency, cheques, bank deposits, bills, bonds, equities, etc. Financial market is a broad term describing any marketplace where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives. They are typically defined by having transparent pricing, basic regulations on trading, costs and fees and market forces determining the prices of securities that trade.

Generally, there is no specific place or location to indicate a financial market. Wherever a financial transaction takes place, it is deemed to have taken place in the financial market. Hence, financial markets are pervasive in nature since financial transactions are themselves very pervasive throughout the economic system. For instance, issue of equity shares, granting of loan by term lending institutions, deposit of money into a bank, purchase of debentures, sale of shares and so on. In a nutshell, financial markets are the credit markets catering to the various needs of the individuals, firms and institutions by facilitating buying and selling of financial assets, claims and services.

Types of Financial Markets
The financial markets can be divided into different subtypes. They are as follows:
1. **Capital Markets** which consist of:
   a. Stock markets, which provide financing through the issuance of shares or common stock, and enable the subsequent trading thereof.
   b. Bond markets, which provide financing through the issuance of bonds, and enable the subsequent trading thereof.
2. **Commodity Markets**, which facilitate the trading of commodities.
3. **Money Markets**, which provide short term debt financing and investment.
4. **Derivatives Markets**, which provide instruments for the management of financial risk.
5. **Futures Markets**, which provide standardized forward contracts for trading products at some future date; see also forward market.
6. **Insurance Markets**, which facilitate the redistribution of various risks.
7. **Foreign Exchange Markets**, which facilitate the trading of foreign exchange.

Need of Investment in Financial Market
We need to invest to generate a specified sum of money for a specific goal in life and its make a provision for an uncertain future. One of the important reasons why we need to invest wisely is to meet the cost of Inflation. Inflation is the rate by

which the cost of living increases. The cost of living is simply what it costs to buy the goods and services you need to live. Inflation causes money to lose value because it will not buy the same amount of a good or a service in the future as it does now or did in the past. For example, if there was a 6% inflation rate for the next 20 years, a Rs. 100 purchase today would cost Rs. 321 in 20 years. This is why it is important to consider inflation as a factor in any long-term investment strategy. Remember to look at an investment's 'real' rate of return, which is the return after inflation. The aim of investments should be to provide a return above the inflation rate to ensure that the investment does not decrease in value.

Options Available for Investment
One may invest in:

- **Physical Assets** like real estate, gold/jewelry, commodities etc. and/or
- **Financial Assets** such as fixed deposits with banks, small saving instruments with post offices, insurance/provident/pension fund etc. or securities market related instruments like shares, bonds, debentures etc.

Investment Plan in the Past Scenario
1. Bank Fixed Deposits: Bank Fixed Deposits are also known as Term Deposits. In a Fixed Deposit Account, a certain sum of money is deposited in the bank for a specified time period with a fixed rate of interest. The rate of interest for Bank Fixed Deposits depends on the maturity period. It is higher in case of longer maturity period. There is great flexibility in maturity period and it ranges from 7days to 10 years. The interest is compounded annually and is added to the principal amount.
2. Savings Bank Account: Savings Bank Account is often the first banking product people use, which offers low interest (4%-5% p.a.), making them only marginally better than fixed deposits.
3. Post Office Savings: Post Office Monthly Income Scheme is a low risk saving instrument, which can be availed through any post office. It provides an interest rate of 8% per annum, which is paid monthly. Minimum amount, which can be invested, is Rs. 1,000/- and additional investment in multiples of 1,000/-. Maximum amount is Rs. 3,00,000/- (if Single) or Rs. 6,00,000/- (if held Jointly) during a year. It has a maturity period of 6 years. A bonus of 10% is paid at the time of maturity. Premature withdrawal is permitted if deposit is more than one year old. A deduction of 5% is levied from the principal amount if withdrawn prematurely; the 10% bonus is also denied.
4. National Savings Certificates: National Savings Certificates (NSC) are certificates issued by Department of post, Government of India and are available at all post office counters in the country. It is a long term safe savings option for the investor. The scheme combines growth in money with reductions in tax liability as per the provisions of the Income Tax Act, 1961. The duration of a NSC scheme is 6 years.
5. Kisan Vikas Patra: Kisan Vikas Patra (KVP) is a saving instrument that provides interest income similar to bonds. Amount invested in Kisan Vikas Patra doubles on maturity after 8 years & 7 months. Kisan Vikas Patra can be purchased by an adult in his own name, or on behalf of a minor, or a minor, or a trust, or two adults jointly. Kisan Vikas Patra are available in the denominations of Rs100, Rs500, Rs1,000, Rs5,000, Rs10,000 & Rs50,000. There is no maximum limit on purchase of KVPs. Premature encashment of the certificate is not permissible except at a discount in the case of death of the holder(s), forfeiture by a pledge and when ordered by a court of law.

Investment Plan in the Present Scenario
1. Shares: A share is a unit of account for various financial instruments including stocks, mutual funds, limited partnerships, and REIT's. Share or stock is a document issued by a company, which entitles its holder to be one of the owners of the company. A share is issued by a company or can be purchased from the stock market. By owning a share you can earn a portion and selling shares you get capital gain. So, your return is the dividend plus the capital gain. However, you also run a risk of making a capital loss if you have sold the share at a price below your buying price. A company's stock price reflects what investors think about the stock, not necessarily what the company is "worth." For example, companies that are growing quickly often trade at a higher price than the company might currently be "worth." Stock prices are also affected by all forms of company and market news. Publicly traded companies are required to report quarterly on their financial status and earnings. Market forces and general investor opinions can also affect share price.
2. Mutual Fund: Mutual Fund is an instrument of investing money. Nowadays, bank rates have fallen down and are generally below the inflation rate. Therefore, keeping large amounts of money in bank is not a wise option, as in real terms the value of money decreases over a period of time. One of the options is to invest the money in stock market. But a common investor is not informed and competent enough to understand the intricacies of stock market. This is where mutual funds come to the rescue. A mutual fund is a group of investors operating through a fund manager to purchase a diverse portfolio of stocks or bonds. Mutual funds are highly cost efficient and very easy to invest in. By pooling money together in a mutual fund, investors can purchase stocks or bonds with much lower trading costs than if they tried to do it on their own. Also, one doesn't have to figure out which stocks or bonds to buy. But the biggest advantage of mutual funds is diversification.

3. Insurance: Life is a roller coaster ride and is full of twists and turns. You cannot take anything for granted in life. Insurance policies are a safeguard against the uncertainties of life. Insurance is system by which the losses suffered by a few are spread over many, exposed to similar risks. Insurance is a protection against financial loss arising on the happening of an unexpected event. Insurance policy helps in not only mitigating risks but also provides a financial cushion against adverse financial burdens suffered. Insurance policies cover the risk of life as well as other assets and valuables such as home, automobiles, jewelry et al. On the basis of the risk they cover, insurance policies can be classified into two categories.

4. ULIP: Unit linked insurance plan (ULIP) is life insurance solution that provides for the benefits of protection and flexibility in investment. The investment is denoted as units and is represented by the value that it has attained called as Net Asset Value (NAV). The policy value at any time varies according to the value of the underlying assets at the time. ULIP provides multiple benefits to the consumer. The benefits include Life protection, Investment and Savings, Flexibility, Adjustable Life Cover, Investment Options, Transparency, Options to take additional cover against, Death due to accident, Disability, Critical Illness, Surgeries, Liquidity, Tax Planning etc.

Review of Literature

An attempt is made to collect the information from the previous researches and relevant studies conducted in the area of investment preferences and financial markets. The review of literature has been presented in a summarized and precise manner. Grewal S.S and Navjot Grewal (1984) revealed some basic investment rules and rules for selling shares. They warned the investors not to buy unlisted shares, as Stock Exchanges do not permit trading in unlisted shares. Another rule that they specify is not to buy inactive shares, i.e., shares in which transactions take place rarely. The main reason why shares are inactive is because there are no buyers for them. They are mostly shares of companies, which are not doing well. Jack Clark Francis (1986) revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk. He opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield. However he suggested that the investors can formulate a probability distribution of the possible rates of return. He also opined that an investor who purchases corporate securities must face the possibility of default and bankruptcy by the issuer. Financial analysts can foresee bankruptcy. He disclosed some easily observable warnings of a firm's failure, which could be noticed by the investors to avoid such a risk.

Preethi Singh (1986) disclosed the basic rules for selecting the company to invest in. She opined that understanding and measuring return and risk is fundamental to the investment process. According to her, most investors are 'risk averse'. To have a higher return the investor has to face greater risks. David. L. Scott and William Edward (1990) reviewed the important risks of owning common stocks and the ways to minimize these risks. They commented that the severity of financial risk depends on how heavily a business relies on debt. Financial risk is relatively easy to minimise if an investor sticks to the common stocks of companies that employ small amounts of debt. Lewis Mandells (1992) reviewed the nature of market risk, which according to him is very much 'global'. He revealed that certain risks that are so global that they affect the entire investment market. Even the stocks and bonds of the well-managed companies face market risk. He concluded that market risk is influenced by factors that cannot be predicted accurately like economic conditions, political events, mass psychological factors, etc. Nabhi Kumar Jain (1992) specified certain tips for buying shares for holding and also for selling shares. He advised the investors to buy shares of a growing company of a growing industry. Buy shares by diversifying in a number of growth companies operating in a different but equally fast growing sector of the economy.

Carter Randal7 (1992) offered to investors the underlying principles of winning on the stock market. He emphasised on long term vision and a plan to reach the goals. He advised the investors that to be successful, they should never be pessimists. He revealed that though there has been a major economic crisis almost every year, it remains true that patient investors have consistently made money in the equities market. L.C. Gupta (1992) revealed the findings of his study that there is existence of wild speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. Yasaswy N.J. (1993) disclosed how 'turnaround stocks' offer big profits to bold investors and also the risks involved in investing in such stocks. Turnaround stocks are stocks with extraordinary potential and are relatively under priced at a given point of time. Donald E Fischer and Ronald J. Jordan (1994) analysed the relation between risk, investor preferences and investor behaviour. The risk return measures on portfolios are the main determinants of an investor's attitude towards them. Most investors seek more return for additional risk assumed. The conservative investor requires large increase in return for assuming small increases in risk. The more aggressive investor will accept smaller increases in return for large increases in risk. R. Venkataraman (l994) disclosed the uses and dangers of derivatives. The derivative products can lead us to a dangerous position if its full implications are not clearly understood. Being off balance stock in nature, more and more derivative products are traded than the cash market products and they suffer heavily due to their sensitive nature.

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Objectives of the Study

The proposed study is under taken with the main objective of knowing the investment preferences of investors in the financial markets. The other allied objectives are as follows.

1. To do the comparative analysis of different options in financial markets.
2. To analyze the investment patterns of different investors and to suggest the best investment opportunities for potential investors.
3. To create awareness among the customers on different investment avenues.

Research Methodology

Achieving accuracy in any research requires in depth study regarding the subject. As the prime objective of this study is to compare various Investment products available in the market with the existing players in the market and the impact of entry of private players in the market, the research methodology adopted was basically based on primary data via which the most recent and accurate piece of first hand information is collected from all possible source. Secondary data was used to support primary data wherever needed. The observational method and survey research method is used to collect the primary data. The main research instruments used the required data is a well-structured questionnaire. A detailed questionnaire has been prepared to reflect the opinions of the respondents towards investment patterns in financial markets. The necessary data is also been collected from official records and other published sources.

The collected data is classified, tabulated, analyzed and interpreted. Finally conclusion is draw based on the study and suggestions are offered to the company for increasing its customer base. A sample of 50 respondents was taken, out of which 20 were in government or semi-government services, while 20 were taken from business class and the rest 10 were private employees. On the basis of annual income, 22 respondents earn 2 to 5 Lakhs, 16 have more than 5 lakhs income and the rest have below 2 lakhs annually.

Limitations of the Study

1. The survey is conducted in Warangal only.
2. The study is limited to investments in financial markets only. Other investments are not taken into the purview of the study.
3. As the sample size is 50, the data may not be cent per cent accurate.
4. As the sample is insignificant to the total population, therefore findings cannot be generalised.

Data Analysis and Interpretation

Table 1: Preferred Investment Sector

S. No	Option	No. of Respondents	Percentage (%)
1	Private Sector	28	56
2	Government Sector	22	44
Total		**50**	**100**

Source: Primary Data

Interpretation

The above table depicts that 28 of the total 56 respondents prefer to invest their money in private sector, while 22 people prefer to invest in government sector.

Table 2: Individual's Preferred Investment Plan

S. No	Type of Investment	No. of Respondents	Percentage (%)
1	Bank FD	8	16
2	ULIP	13	26
3	Mutual Funds	10	20
4	Stock Market	11	22
5	SIP	8	16
Total		**50**	**100**

Source: Primary Data

Interpretation

As per the analysis, 26 per cent of the respondents, representing 13 people, prefer to invest in ULIPs, 11 people preferred investing in stocks, and 10 people preferred investing in mutual funds. Further, equal number of respondents prefer bank FD and SIP.

Table 3: Choice on Term Period for Investment Plan

S. No	Option	No. of Respondents	Percentage (%)
1	0-3 Years	14	28
2	3-6 Years	21	42
3	6-10 Years	10	20
4	Above 10 Years	5	10
Total		**50**	**100**

Source: Primary Data

Interpretation

The above table indicates that 21 of the respondents preferred 3-6 years investment plans, while 10 people preferred 6-10 years investment plans. 14 people, representing 28 per cent of the sample, preferred the plans where the term period ranges between 0-3 years.

Table 4: Factors Influencing Investment Plans

S. No	Option	No. of Respondents	Percentage (%)
1	Growth	12	24
2	Risk Cover	20	40
3	Tax Benefit	8	16
4	All of the Above	10	20
Total		**50**	**100**

Source: Primary Data

Interpretation

The above data illustrates that majority of the people (40 per cent) feel that risk cover is the primary attribute for making investments in the financial markets. 24 per cent of the respondents said that growth of wealth is the factor for their investments, while 20 per cent said all of the above factors.

Table 5: Risk Preference While Taking Decision on Investments

S. No	Option	No. of Respondents	Percentage (%)
1	High Risk	10	20
2	Moderate Risk	15	30
3	Low Risk	25	50
Total		**50**	**100**

Source: Primary Data

Interpretation

The above table indicates that 50 per cent of the people preferred low risk, whereas 30 per cent of the respondents preferred moderate risk. High risk sample was low with 20 per cent. It has been observed in the survey that people who are of below 30 have willingness to achieve high growth for fulfill their dreams and therefore, they want to invest their money in pure equity market rather then debt or money market.

Table 6: Usage of Mutual Funds as an Investment by Investors

S. No	Option	No. of Respondents	Percentage (%)
1	Yes	14	28
2	No	36	72
Total		**50**	**100**

Source: Primary Data

Interpretation

As per the analysis, 36 respondents never invest their money in mutual funds while 14 respondents said that they invest their money in mutual funds, anticipating low risk and good returns.

Table 7: Investors Consideration on Inflation before Making Investment Decisions

S. No	Attribute	No. of Respondents	Percentage (%)
1	Yes	32	64
2	No	18	36
Total		**50**	**100**

Source: Primary Data

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Interpretation
According to the data presented 64 per cent of the respondents said that they consider the inflation rates before making investment decisions, aniticipating the higher the inflation rate, the lesser the return on investments. 36 per cent of the respondents, representing 18 people said that they would not take into account the inflation rate when making investment plans.

Table 8: Perception on Buying Stock When the Stock Market is Down

S. No	Option	No. of Respondents	Percentage (%)
1	Yes	42	84
2	No	8	16
Total		**50**	**100**

Source: Primary Data

Interpretation
The above table indicates that 84 per cent of respondents believe that a down period of stock market is a good opportunity for buying companies' stocks, because they can buy more shares at a lesser price. 16 per cent of the respondents said that a down trend in share market will not influence much in their investments plans.

Table 9: Preference of Life Insurance as an Investment

S. No	Option	No. of Respondents	Percentage (%)
1	Yes	45	90
2	No	5	10
Total		**50**	**100**

Source: Primary Data

Interpretation
As per the analysis, 90 per cent of respondents prefer life insurance as the most reliable investment plan. Only 10 per cent of the people said that life insurance is not the most reliable investment plan.

Table 10: Preferred Company for Insuring Life

S. No	Option	No. of Respondents	Percentage (%)
1	LIC	30	60
2	Bajaj Alliance	8	16
2	ICICI	8	16
2	HDFC Standard Life	4	8
Total		**50**	**100**

Source: Primary Data

Interpretation
As per the dat 60 per cent of the respondents prefer LIC as the most reliable company for life insurance. Only 8 per cent of the people preferred HDFC for life insurance.

Table 11: Advise Friends to Invest in Financial Markets

S. No	Option	No. of Respondents	Percentage (%)
1	Yes	43	86
2	No	7	14
Total		**50**	**100**

Source: Primary Data

Interpretation
The data analysis indicates that 43 people representing 86 per cent said that they would advise their friends in investing in financial markets, while only 7 people said they would not advise their friends in investing in financial markets.

Conclusion
On the basis of the study it can conclude that the competition has grown too much in the Investment Sector with the opening of the sector. Today, the market scenario is totally change because people becoming more aware about new Investment plans which provides better growth and more tax benefit. In earlier people invested their money in like FD, Kisan Vikas Patra,

Provident fund, Saving account and etc. but because of globalization now people are investing in modern investment plans like Stock market, ULIP, MFs, SIP, Commodities, Real Estate and etc. So people are moved gradually into that financial market because it is more attractive.

Recommendations

1. The creation of awareness about the need and importance of modern Investments is vital.
2. New product innovation, low money investment plans and better service is crucial for the company to increase its market share.
3. Majority of the respondents are not much aware on the returns if invested in mutual funds. So necessary measures should be taken by creating awareness about the low risk involved in investing in this product.
4. Companies can become more creative in capturing a wider range of customers by using multiple distribution channels.

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