



## ATTITUDE OF INVESTORS ON MAKING INVESTMENT IN VARIOUS AVENUES

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## ABSTRACT

The practice of savings and investment differs from person to person and place to place as the savers have varying objectives embracing safety, profitability and liquidity. Similarly, the motive behind such practice equally varies due to the influence of internal and external factors of savers. As such, there is no single motivating factor applicable to all investors on all occasions. In the Indian context, savings from all quarters are the need of the hour. Though 70 percent of our population lives in villages and mainly depend on agriculture, the savings from agricultural sector is not enough due to uneconomic operations of the farms and same is the situation of public undertakings. Further, the savings of businessmen and self-employed are not stable and not assured because it is subject to the conditions of business. The present study aimed to know the attitude of investors on various investment avenues in Erode district.

**KEYWORDS** : Savings, Investment, Profitability, Liquidity, Uneconomic.

## INTRODUCTION

There is need to improve productivity and this calls for application of modern technology. Modern technology in turn calls for heavy dose of capital investment in these areas. But the capital formation is a difficult task and depends upon the people's willingness and their capacity to save. Thus prosperity of the economy is closely linked with the ability of the public to save and invest in productive assets for an uninterrupted supply of capital. Dearth of capital is not felt if the much needed capital is available within. To survive and develop in this competitive business world, capital must be made available at a reasonable rate without conditions attached to it. Investment climate must attract the people to save from their income at times even by foregoing the enjoyment of comforts and luxuries. If enough savings are accumulated, the next important thing is to invest them in constructive assets so as to generate further value. Actually, financial intermediaries undertake the work of channelizing the savings of public into productive assets. Banks, non-banking financial institutions, post-offices, share markets and governments are some of the important financial intermediaries. Despite the effort of all these intermediaries, current savings is not up to the regular level. Further, the entire savings are not at fully diverted into industry for productive purposes. In the wake of paucity of funds, the process of industrial development has not been activated. Mainly due to the financial crunch, industrial sector, has stagnated its activities. Supply of fund would normalize the process and the supply mainly depends upon individual investors. In recent times, the contribution of individuals alone have contributed to about two-third of total capital. Personal savings or savings of individuals are called household sector's savings. If properly guided and motivated, an active and vibrant participation of individuals will lend financial support internally to the industrial enterprises. In any country, the investment climate should not encourage public to hoard cash and postpone investments. On the other hand, government and other institutions must evolve new systems to induce more and more public savings. The present study aimed to know the attitude of investors on various investment avenues in Erode district.

## MATERIALS AND METHODS

Brahmabhatta et.al. (2018) in their article entitled "A study of investor behavior on investment avenues in Mumbai Fenil" stated that investor's perception will provide a way to accurately measure how the investors think about the products and services provided by the company. The main objective of the study is to find out the need of the current and future investors and to study on investor behavior. 100 investors were taken for the study. Most are making conservative decisions that reflect a survival mode in the business operation. During these difficult times, understanding what investors on an ongoing basis is critical for survival. Therefore, the study is identified that people like to invest in stock market as compared to any other markets, even if they face huge losses. Sanjay Kanti Das (2018) in his article entitled "Middle Class Household's

Investment Behaviour: An Empirical Analysis" the study reveals to know whether there has been any increase in their savings and if so, the reasons for the same. The present study is based on primary sources of data which are collected by distribution of a close ended questionnaire to 180 respondents out of which 150 respondents have replied and the data has been analyzed using simple statistical tools and to access the significance/ association between dependent variables. It is also observed that most of the respondents show their keen interest towards the insurance products so as to get tax benefits, life protection and average profitable investment avenues. Further, it is observed that the level of income also influences the investment decisions. Higher income group shows relatively high preference towards investment in share market conversely lower and average income group shows keen preference towards insurance and banks as the most preferred investment avenues.

This study has used both primary data and secondary data. For collecting primary data field survey technique was undertaken in the study. The researcher has collected 1000 samples from Erode district by means of questionnaire. The research design adopted for this study is descriptive research. Descriptive method was adopted because it deals with description of the state of affairs as it exists at present. If the population from which a sample is to be drawn does not constitute a homogenous group, then stratified sampling technique is applied so as to obtain a representative sample. Factor analysis was used for further analysis.

## RESULTS AND DISCUSSIONS

For the purpose of present research work, 21 self-explanatory attitudinal statements comprising the areas such as importance of saving, habit of saving, principles of saving, investment decisions etc. are identified. The statements are framed and arranged in such a way that one statement has no relevance or resemblance to other. The inferences from the attitude statements are made by applying the factor analysis test. The selected variables are

1. Confident of my ability
2. I take full responsibility for the result
3. I am convinced to manage my investment
4. I know all the features of avenues
5. Betterment of services is much essential
6. Family play a vital role in making investment
7. I usually invest in companies which I know and trust.
8. I use past price movement to predict future price.
9. I make investment decision on the basis of company's dividend ratio.
10. I make investment decision based on my experience
11. I prefer to invest in profitable investment avenues
12. I am getting more returns because I have taken right investment decision
13. My investment decision has changed over period of time

14. Once I decide about my investment option I will choose that option again and again
  15. When I invest is based on the market position
  16. Irrespective of inflation I will put money in fixed income securities
  17. I will invest for tax exemption
  18. I receives good quality advice from distributors/broker.
  19. Attending investor educational programme is beneficial for my investment.
  20. Household investment will help me in betterment.
  21. I desire to reserve for unforeseen contingencies
- Factor analysis tries to summarise the information contained in a number of original variables into a smaller set of new composite dimensions. Hence, correlation matrix for the variables (21 statements) is calculated in order to establish the relationship between them. Generally, a correlation value of 0.3 (absolute value) is taken as sufficient to explain the relationship between variables. Correlation matrix value has been given in table the following table. Further, two tests are applied to the resultant correlation matrix to test whether the relationship among the variables is significant or not. Firstly, Bartlett's test of sphericity is used to test whether the correlation matrix is an identity matrix i.e. all the diagonal terms in the matrix were 1 and the off-diagonal terms in the matrix are 0. The calculated test value is 786.684. it shows that the correlation matrix is not an identity matrix i.e., correlation exists between the variables.

Another test of Kaiser-Meyer-Olkin (KMO) measure is used to test the sampling adequacy. The test is based on the correlation and partial correlation of the variables. If KMO measure is closer to 1, it is good to use factor analysis and if KMO is closer to 0, then the factor analysis is not a good idea for variables and the data. The value of test statistics is 0.69083 which means the factor analysis for the selected variables is good.

Next, PCA used to extract factors from the statements. The PCA extracted 6 factors and these are all co-efficients used to express a standardized variable in terms of the factors. These co-efficients are called factor loading since they indicate how much weight is assigned to each factor. Thus, factors with large co-efficients (in absolute value) for a variable are closely related to that variable. The following table shows the factor loading to each variable. 21 attitude statements are denoted as variables and the statements could be seen from questionnaire in annexure part.

It could be seen from the following table that factor 1 is with largest loading (0.61684) for x1 variable and factor 2 for variable x17 (0.70915). Factor 3 is highly loaded for variable x5 (0.61140) and factor 4 for variable x11 (0.40065). Factor 5 has largest loading for variable x20 (0.64507) and factor 6 is largely loaded for variable x13 (0.50622).

**TABLE 1 PRINCIPAL COMPONENT EXTRACTED FACTOR MATRIX FOR SIX FACTORS**

SI. No & variables	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	
1	X1	.61684	.05210	-.16855	-.13668	-.23376	-.07847
2	X9	.59204	-.19106	.19594	.15146	.01214	.25458
3	X7	-.55008	.20685	.46800	-.13161	.05645	.25478
4	X10	.49869	-.13028	-.17268	.38800	.18123	.36542
5	X2	.49655	.06302	-.30625	-.25531	.29335	.02546
6	X8	-.38379	.21892	-.08252	.34063	.09356	-.25464
7	X17	.13272	.70915	.04370	-.08244	.07242	-.25478
8	X15	.29138	.55696	-.4282	.05877	.22215	.23458
9	X18	-.05645	.42508	.23836	-.17441	-.19687	.05648
10	X16	.03879	.33658	-.24846	.33544	.11564	.03256
11	X12	.02210	.22421	-.7382	.11955	-.05462	.32145
12	X5	.32843	-.01380	0.6114	.17255	-.15465	.02546
13	X4	.14852	.07005	.60783	.42889	-.25465	-.10335
14	X6	.24357	.09235	.46555	-.31982	.14758	.09545
15	X11	-.15298	.04520	-.30643	.40065	.06541	-.02145

16	X20	.18470	-.13934	.33069	-.20041	.64507	.02458
17	X21	.15559	-.11207	-.00474	-.36312	.14447	.02548
18	X19	-.01324	-.06458	-.06161	.37746	.23548	.25489
19	X13	.11777	.35504	-.05316	.10821	.12548	.50622
20	X14	.29664	.32640	-.20153	.04565	.15487	.25648
21	X3	.21296	.17021	.025481	.025451	.05878	.12421

Then communalities for each variable are calculated from the factor matrix. The proportion of variance explained by the common factors is called communality of the variable. Eigen values are also calculated which give the proportion of total variance explained by all the factors. The calculated value of "percentage of variance" explains how much variance is attributed to each factor. Cumulative percentage is calculated to explain the total variance in the selected variables. The following table presents to disclose the communality of each variable, Eigen value, percentage of variances and cumulative percentages of each factor.

**TABLE 2 COMMUNALITIES OF VARIABLES AND EIGEN VALUES, PERCENTAGE OF VARIANCES, CUMULATIVE PERCENTAGES OF EACH FACTOR**

Variable	Communality	Factor	Eigen value	Percentage of variance	Cumulative percentage
X1	.49116	1	2.17190	10.3	10.3
X2	.52238				
X8	.36721				
X9	.51280				
X14	.43982				
X15	.43774	2	1.62159	7.7	18.1
X16	.31408				
X17	.54521				
X3	.19075				
X7	.38007				
X10	.48545	3	1.51260	7.2	25.3
X18	.30192				
X19	.44599				
X4	.60456				
X5	.60380	4	1.36664	6.5	31.8
X6	.38075				
X20	.63435				
X21	.62562	5	1.36518	6.5	38.3
X11	.32627				
X12	.08262	6	1.22216	5.8	44.1
X13	.56333				

It could be seen from the table that factor 1 has the maximum Eigen value of 2.17190. All the factors are arranged in order of importance, cumulative percentages of 6 factor model explains that there are only 44 percent of variance in the selected variables.

Although the factor matrix obtained in the extraction phase indicates the relationship between the factors and the individual variables, to enhance the interpretability of the factors' rotation is done. The most common method of varimax rotation is used and the rotated factor matrix values are given in table No.3.

**TABLE 3 ROTATED FACTOR MATRIX FOR SIX FACTORS**

Variable	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
X2	.68873	.12159	.03360	.11854	.11545	.01245
X1	.60454	.20091	.22888	.12451	.10655	.12345
X9	.52173	.09066	.38395	.23564	.25461	.14547
X8	.50906	.13179	.04377	.21456	.24579	.36564
X17	.00121	.72176	.13716	.24574	.32456	.12455
X15	.07354	.59215	.05148	.02145	.01245	.26452
X14	.06928	.51481	.38392	.00548	.02457	.10676
X16	.08794	.40784	.06535	.04578	.12699	.12456

X10	.17858	.03522	.65456	.00830	.22454	.12451
X7	.32333	.02253	.43546	.07955	.01245	.23121
X19	.36457	.15058	.42564	.88440	.32451	.31462
X18	.02888	.33057	.36545	.05454	.04545	.04141
X3	.06486	.00548	.25645	.25461	.05454	.32154
X4	.11345	.02569	.00877	.01475	.03214	.01458
X5	.12337	.02107	.22457	.02454	.24545	.01245
X6	.25754	.11962	.29878	.25478	.14725	.32145
X21	.05071	.01766	.32564	.32458	.02457	.15457
X20	.05104	.02856	.21456	.78787	.02654	.23155
X13	.05456	.20759	.02626	.78451	.45781	.23121
X11	.18597	.10555	.00545	.02154	.12456	.14514
X12	.02893	.15919	.45251	.02457	.12422	.01299

Although the factor matrix obtained in the extraction phase indicates the relationship between the factors and the individual variables, it is usually difficult to identify meaningful factors based on the matrix. Often variables and factors do not appear correlated in any interpretable pattern. Most factors are correlated with many variables. Thus to summarise the sets of closely related variables, the rotation is done. From the above table, it could be seen that each factor identifies itself with a few sets of variables closely connected to it. In each factor, most preferred variables are placed first and the remaining in the order of ranks secured by them.

From the analysis, it is inferred that the investors give more importance to the factor one which implies a positive and stubborn attitude towards savings. Factor two stands to disclose the importance of investment practices and returns. Factor three is to reveal the attitude of the investors towards the present investment climate. Factor four stresses the importance saving. Role of government in regulating the investment climate in the country is disclosed the factor five. Factor six contains statements of overall concern of investors.

#### RECOMMENDATIONS AND CONCLUSION

Many private sector finance companies failed to meet their repayment schedule and hence dispute arose between the investors and institutions. Government's belated intervention in the past resulted in the loss of crores of rupees of investors. They also expect that the Government must misery will find a solution. The long pending court proceedings ultimately increase their burden. Almost all the investors feel that the rate of interest on Government securities is very less when compared to the return available outside. For such higher return, investors are tempted to invest with private parties. Investors expect the Government to enhance the rate of interest slightly higher than the present. This will ensure satisfied return to them and safety of capital. Some investors reported that they had subscribed retirement benefit plans and private sector Mutual Fund Organisation. They expect some additional tax concession from the Government. Since, these schemes are mostly subscribed by private sector employees, the tax concession will be a boost for their saving habit. The Central and State Government should spread saving and investment habit by making foolproof safety mechanism. Only with prevalence of a healthy atmosphere, individual investors will be inclined to deploy their funds on a continuous basis in various types of on a continuous basis in various types of financial instruments of government. Investor education is the need of the hour. Though number of institutions part with investor education, they are not sufficient. A mass and continuous awareness programme shall be conducted. Before investing, one has to equip himself with relevant information, which will have a long run impact on his investment practices. But in practice, investors with little time to discuss investment matters are not serious in the matter. Owing to the availability of little relevant information, general talks and rumors induce the investors to choose the investment instrument though it does not suit his interest. Hence, a systematic and long run investors' awareness programme would be a boon to the investing community.

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