



AN EMPIRICAL STUDY OF AWARENESS OF INVESTORS TOWARDS VARIOUS INVESTMENT AVENUES WITH RESPECT TO SALARIED PEOPLE IN AURANGABAD CITY

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Abstract:

Investment is an activity that is engaged by people who have savings i.e. investments are made from savings, or in other words people saves their money in terms of investment. There are various investment options available such as Bank, Gold, Real estate, mutual funds & so on. Investors are investing their money with the different objectives such as profit, security, appreciation, stability of income. The study is based on closed ended structured questionnaire i.e. primary sources of data, which are collected by salaried people. The data has been analyzed using percentage and factor analysis with the help of statistical software. It has also studied the behaviour of the investors while selection of a financial avenues.

Key Words: Investment avenues, salaried people, decision making, savings.

INTRODUCTION:

“Investment” refers to the employment of funds to assets with the aim of achieving additional income or growth in value over a given period of time. Each investment alternative has its own strength and weaknesses. Some options seek to achieve superior returns but with corresponding higher risk. Other provide safety but at the expense of liquidity, but at the cost of return. Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. An investor is a person who has an idea to make profits from his savings.

The main purpose of investment is to get a return or income on the funds invested. There are different motives of investments in various avenues by the investors. The investors save a portion of their current income to meet the future needs such as building a house, education of children, marriage of children, use in retired life etc., and the root cause of savings is to spend one’s future in comfort.

LITERATURE REVIEW:

Ranganathan, 2006 stated that financial markets are affected by the financial behavior of investors and consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of ‘behavioral finance’ and thus studying the behavior of investors also holds importance.

Shobhana V. and J. Jayalakshmi, 2009 observed the level of investor awareness regarding investment options and their investment risks. The analysis discovered that the investment in real estate is preferred by a majority of the investors. The second most preferred investment avenue is bank deposits. Awareness about investment options and risks are high among aged, highly educated and those who are professionals by their occupation.

DhananjayRakshit, 2003 found that the small investors are not much aware about the stock market. The investment companies should create confidence among small investors regarding investing in stock markets which will further strengthen the market integrity in the country. It was also found that small investors refer the price earnings ratio, beta value of the share through the data bank published in some investment magazines before making their investment decisions.

Harry Markowitz (1952) showed how investors could create portfolios of individual investments to trade off risk versus return. His concept showed that some of the risk could be decreased by holding a diversified portfolio, but not all because the assets held in the portfolio are correlated to each other to a degree. The concept shows how risk can be diversified by holding assets that aren't perfectly correlated with each other but the expected return of the portfolio is the weighted average return of as-sets held in the portfolio. Diversification leads to a reduction in risk but not in the expected return.

OBJECTIVES OF STUDY:

- 1) To identify the awareness level of investors towards various financial avenues.
- 2) To study the satisfaction level of investors with respect to salaried people.
- 3) To investigate the important factors that led to satisfaction of investors towards investment decision.

HYPOTHESIS:

H10: Assist in Investment decision, No hidden cost, Communication and Advice from broker does not contributes more towards the satisfaction to the investors.

H11: Assist in Investment decision, No hidden cost, Communication and Advice from broker contributes more towards the satisfaction to the investors.

H20: Liquidity, Past experience, Risk factor and Entry & Exit load during investment does not helps the investors while decision making.

H21: Liquidity, Past experience, Risk factor and Entry & Exit load during investment helps the investors while decision making.

TEST OF RELIABILITY

Cronbach's Alpha

Case Processing Summary			
		N	%
Cases	Valid	100	37.7
	Excluded ^a	165	62.3
	Total	265	100.0

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.917	.918	54

As the above statistics of reliability shows the Cronbach’s Alpha 0.917, is greater than 0.7, which means that scale used to collect the data is reliable and data accuracy have been maintained during the collection of data from the respondents. This also indicates that the data is reliable for the further study as the calculated reliability value approx.91.7% which is good.

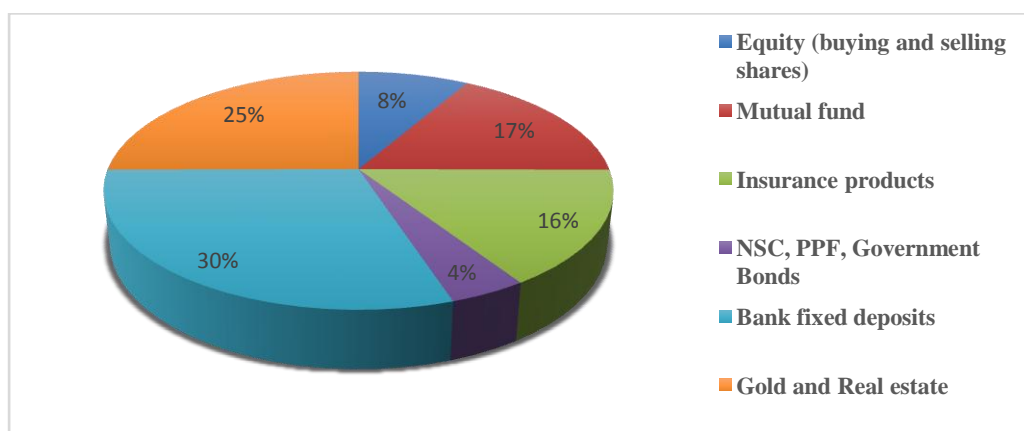
ANALYSIS OF OBJECTIVES:

Objective 1: To identify the awareness level of investors towards various financial avenues.

A survey was made among the respondents about the awareness level on various financial avenues and the result of that have been presented in the following table.

Table 1.1 Awareness level of financial avenues.

	Respondents	Percentage
Equity (buying and selling shares)	8	8%
Mutual fund	17	17%
Insurance products	16	16%
NSC, PPF, Government Bonds	4	4%
Bank fixed deposits	30	30%
Gold and Real estate	25	25%
Total	100	100%



Summary:

From the above analysis it is clear that 8% of the respondents are aware about the Equity related investment, 17% of the respondents are aware about the Mutual fund investment, 16% respondents are aware about the Insurance products, only 4% of the respondents are about the NSC, PPF, Government bonds investment, 30% of the respondents are about the Fixed deposit related investment and 25% of the respondents are about the Gold and real estate investment. The sample unit is dominated by 30% of respondents who are aware about the Bank deposit.

Objective 2: To study the satisfaction level of investors with respect to salaried people.

H0: Assist in Investment decision, No hidden cost, Communication and Advice from broker does not contributes more towards the satisfaction to the investors.

H1: Assist in Investment decision, No hidden cost, Communication and Advice from broker contributes more towards the satisfaction to the investors.

Communalities		
	Initial	Extraction
Advice From Brokers	1.000	.830
Personal Attnetion	1.000	.638
Appropriate Products	1.000	.787
Delivery Of Statements	1.000	.667
Handling Services	1.000	.763
Equity Returns	1.000	.853
Interpersonal Relationship	1.000	.758
No Hidden Costs	1.000	.755
Feedback	1.000	.810
Communication	1.000	.816
Distribution Network	1.000	.815
Investment Decision	1.000	.787
Website Updates	1.000	.693
User Friendly Online	1.000	.547
Secure Information	1.000	.552
Customer Satisfaction	1.000	.554
Proud To Be A Customer	1.000	.706
Extraction Method: Principal Component Analysis.		

Source: Data Analysis – SPSS table

The above stated table represents the **Communalities**, which explains the relation between the variables.

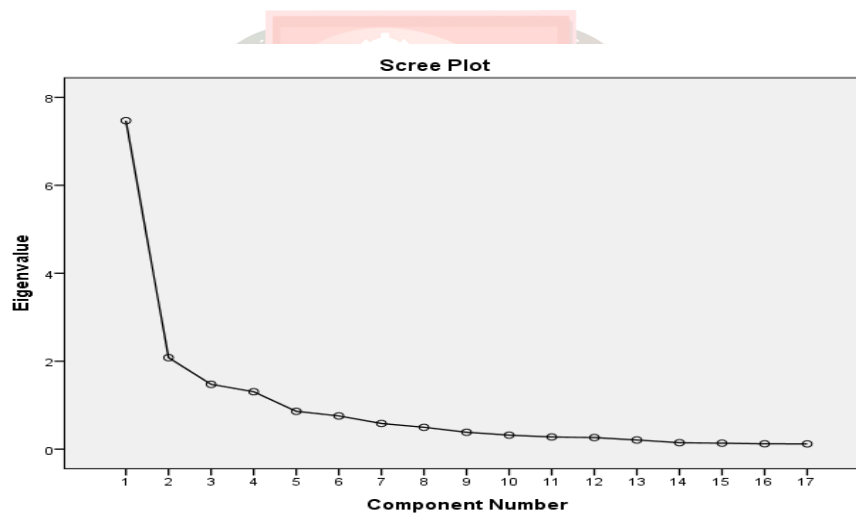
Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.470	43.940	43.940	7.470	43.940	43.940	3.990	23.469	23.469
2	2.081	12.240	56.181	2.081	12.240	56.181	3.638	21.398	44.867
3	1.474	8.669	64.849	1.474	8.669	64.849	2.626	15.448	60.314
4	1.305	7.678	72.527	1.305	7.678	72.527	2.076	12.213	72.527

5	.861	5.062	77.590						
6	.755	4.440	82.030						
7	.584	3.433	85.463						
8	.497	2.924	88.387						
9	.385	2.262	90.649						
10	.319	1.876	92.525						
11	.277	1.631	94.156						
12	.263	1.549	95.705						
13	.208	1.222	96.927						
14	.146	.861	97.787						
15	.136	.797	98.585						
16	.121	.713	99.298						
17	.119	.702	100.000						

Extraction Method: Principal Component Analysis.

Source: Data Analysis

The above table shows the how the variance divided amongst the seventeen possible factors. Amongst which 4 factors having an Eigen values greater than 1.00 which is a common criterion for a factor to be useful



The scree plot is a graph of the eigen values against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curves start to flatten. It can be seen that the curve begins to flatten between factors 4 and 5. Note also that 5 have an Eigen value of less than 1, so only four factors have been retained.

Eigen value: The standardized variance associate with a particular factor. The sum of the eigen values scan not exceeds the number of items in the analysis, since each item contributes one to the sum of variances.

Component (Factor) Matrix

The table below shows the loadings of seventeen variables on the four factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this makes reading the table easier. Suppressed all loadings less than 0.5.

Component Matrix ^a				
	Component			
	1	2	3	4
Website Updates	.779	-.128	-.188	-.185
Proud To Be A Customer	.764	-.120	-.327	
Personal Attnetion	.759			-.237
Investment Decision	.734	-.428	-.249	
User Friendly Online	.724	.108		
Interpersonal Relationship	.693	-.364	-.348	-.154
Handling Services	.683	-.114	.527	
No Hidden Costs	.683	.215	-.221	-.441
Equity Returns	.678	-.600	.148	.109
Customer Satisfaction	.678	.177		.248
Delivery Of Statements	.639	.472		-.187
Feedback	.623	.467	.398	-.212
Communication	.599	.173	.368	.540
Appropriate Products	.595	.508	-.408	
Distribution Network	.592	-.294	-.167	.592
Secure Information	.514	.448	.134	.264
Advice From Brokers	.428	-.501	.532	-.336
Extraction Method: Principal Component Analysis.				
a. 4 components extracted.				

Source: Data Analysis – SPSS table

Rotated Component Matrix ^a				
	Component			
	1	2	3	4
Investment Decision	.838	.147	.163	.193
Interpersonal Relationship	.810	.281		.147
Proud To Be A Customer	.716	.393	.194	
Equity Returns	.696		.267	.542
Distribution Network	.676	-.139	.582	
Website Updates	.641	.481	.104	.201
No Hidden Costs	.380	.776		
Delivery Of Statements	.114	.760	.275	
Feedback	-.108	.726	.386	.351
Appropriate Products	.302	.646	.342	-.402
Personal Attnetion	.411	.607	.176	.262
User Friendly Online	.344	.449	.425	.215
Communication	.126	.137	.862	.194
Secure Information		.424	.609	
Customer Satisfaction	.320	.366	.560	
Advice From Brokers	.244			.875
Handling Services	.206	.316	.395	.682
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 14 iterations.				

Source: Data Analysis – SPSS table

Simple component matrix which should be only useful to get the information about the factors. For the better factor reduction Rotated factor matrix would be more useful than that.

Rotated Component (Factor) Matrix

The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier. Looking at the table above, it can be observed that Assists in Investment decision is substantially loaded on Factor (Component) 1, while No hidden cost is substantially loaded on Factor (Component) 2 , while Communication is substantially loaded on Factor (Component) 3 whereas Advice from the brokers is substantially loaded on Factor (Component) 4. These factors can be used as variables for further analysis and further more concluded that maximum variance in investment have been explained by these four variable.

Objective 3: To investigate the important factors that led to satisfaction of investors towards investment decision.

H0: Liquidity, Past experience, Risk factor and Entry & Exit load during investment does not helps the investors while decision making.

H1:Liquidity, Past experience, Risk factor and Entry & Exit load during investment helps the investors while decision making.

Communalities		
	Initial	Extraction
Returns Are Considered	1.000	.869
Entry And Exit Load	1.000	.787
Risk Factor	1.000	.857
Tax Benefit	1.000	.734
Capital Appreciation	1.000	.716
Liquidity	1.000	.749
Financial Advice From Company	1.000	.862
Brand Or Company Name	1.000	.655
Past Experience	1.000	.880
Finance Freedom Achieving	1.000	.644
Extraction Method: Principal Component Analysis.		

Source: Data Analysis – SPSS table

The above stated table represents the **Communalities**, which explains the relation between the variables.

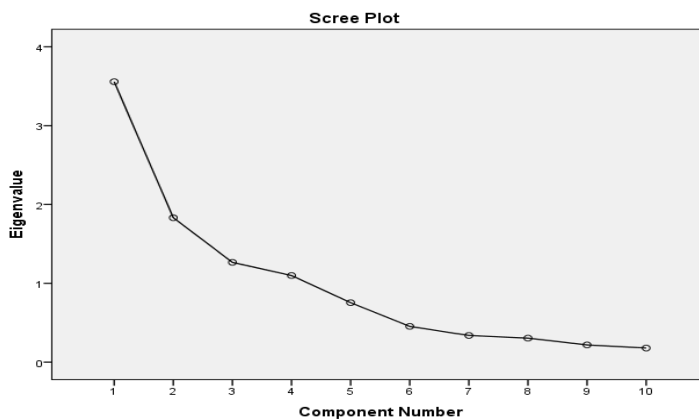
Total Variance Explained									
Comp onent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulati ve %	Total	% of Variance	Cumulati ve %	Total	% of Variance	Cumul ative %
1	3.557	35.572	35.572	3.557	35.572	35.572	2.307	23.069	23.069
2	1.832	18.318	53.891	1.832	18.318	53.891	1.947	19.473	42.542
3	1.266	12.655	66.546	1.266	12.655	66.546	1.907	19.071	61.613

4	1.099	10.985	77.531	1.099	10.985	77.531	1.592	15.918	77.531
5	.754	7.543	85.074						
6	.453	4.533	89.607						
7	.338	3.382	92.989						
8	.304	3.041	96.030						
9	.218	2.181	98.212						
10	.179	1.788	100.000						

Extraction Method: Principal Component Analysis.

Source: Data Analysis – SPSS table

The above table shows the how the variance divided amongst the ten possible factors. Amongst which 4 factors having an Eigen values greater than 1.00 which is a common criterion for a factor to be useful



The scree plot is a graph of the eigen values against all the factors. The graph is useful for determining how many factors to retain. The point of interest is where the curves start to flatten. It can be seen that the curve begins to flatten between factors 4 and 5. Note also that 5 have an Eigen value of less than 1, so only four factors have been retained.

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Eigen value: The standardized variance associate with a particular factor. The sum of the eigen values scan not exceeds the number of items in the analysis, since each item contributes one to the sum of variances.

Component (Factor) Matrix

The table below shows the loadings of ten variables on the four factors extracted. The higher the absolute value of the loading, the more the factor contributes to the variable. The gap on the table represent loadings that are less than 0.5, this makes reading the table easier. Suppressed all loadings less than 0.5.

Component Matrix ^a				
	Component			
	1	2	3	4
Capital Appreciation	.733	.170		-.384
Tax Benefit	.719	-.461		
Finance Freedom Achieving	.717		.314	-.169
Brand Or Company Name	.713		-.206	.321
Liquidity	.655	.301	-.197	-.436
Returns Are Considered	.183	.861	.209	.224

Risk Factor	.397	-.773	-.182	.262
Past Experience	.556		.746	
Financial Advice From Company	.601	.236	-.666	
Entry And Exit Load	.436	.303		.710
Extraction Method: Principal Component Analysis.				
a. 4 components extracted.				

Source: Data Analysis – SPSS table

Rotated Component Matrix ^a				
	Component			
	1	2	3	4
Liquidity	.838	.196		
Financial Advice From Company	.790	-.249	.144	.395
Capital Appreciation	.716	.450		
Past Experience		.924		.155
Finance Freedom Achieving	.412	.669	.129	
Risk Factor		.127	.897	.191
Returns Are Considered	.160	.159	-.764	.484
Tax Benefit	.335	.498	.597	.135
Entry And Exit Load		.123		.876
Brand Or Company Name	.398	.194	.338	.587
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a. Rotation converged in 6 iterations.				

Source: Data Analysis – SPSS table

Simple component matrix which should be only useful to get the information about the factors. For the better factor reduction Rotated factor matrix would be more useful than that.

Rotated Component (Factor) Matrix

The idea of rotation is to reduce the number factors on which the variables under investigation have high loadings. Rotation does not actually change anything but makes the interpretation of the analysis easier. Looking at the table above, it can be observed that the Liquidity is substantially loaded on Factor (Component) 1, while Past experience is substantially loaded on Factor (Component) 2, while Risk factor is substantially loaded on Factor (Component) 3 whereas Entry and Exit load during investment is substantially loaded on Factor (Component) 4. These factors can be used as variables for further analysis and further more concluded that maximum variance in investment have been explained by these four variable.

Major Findings:

- 1) The investors prefer to investing in Mutual fund, Insurance products, Fixed deposits and in Golds and Real estate.
- 2) Assisting in Investment decision, No hidden cost, Communication and Advice from brokers are the factors which contributes towards the satisfaction to the investors.

- 3) The investors are satisfied with investment avenues because of attention by bank, prompt delivery of transaction summary, handling services, no hidden cost, feedback regularly, communication, assist for investment decision, user friendly portal, keeping customer satisfaction in forefront, equity returns and distribution network.
- 4) Investors are neither satisfied nor dissatisfied with guidance and advice from brokers, Website updates with latest new and schemes, appropriate products and good interpersonal relationship.
- 5) Liquidity, Past experience, Risk factor, Entry & exit load during investment are the factors which influence the investors while taking decision for investment in various avenues.
- 6) The investors are agree on the factors such as Returns, Entry and exit load during investment, Tax benefits, Financial advice from company, Brand name and Past experience matter during the investment and they are neither agree nor strongly disagree upon the Risk factor, Liquidity and Financial freedom.

Suggestions:

- 1) Investors need to have more awareness related to Equity, National savings certificate, Public Provident Fund and related to Government bonds.
- 2) To make the investors satisfied with their investments the brokers or agents can guide and advice their clients properly and personal attention can be given by them, the portal or websites should be keep on updated for getting the information related to news and schemes for the investors.
- 3) There should be awareness among the investors about the degree of liquidity, risk factor and financial freedom achieving while taking decisions related to investment since majority of the respondents feels that these factors are not influencing them while making investment.

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