

A PRAGMATIC STUDY ON INVESTMENT DECISION – AN INDIVIDUAL PERSPECTIVE

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Abstract— Individual investment activity is the extending the money saved to any corporate, Government or to any institution for the purpose of earning revenue. The augmented obligation for the financial futures both for oneself and for their offsprings has made an individual to take a wise decision for their portfolio investments. The objective of the study is to know about the individual preference towards major avenues and to identify the most important factors that has influenced the investor to choose those avenues. This study covered the investor residing in the area of Trichy (Tier-3), Chennai (Tier-1) and also from the customers of myassetsconsolidation.com. Convenient random sampling has been followed to collect the primary data from the investors by administering a questionnaire. Percentage analysis and one-way ANOVA have been used to analyse the data collected with the help of SPSS Package. Majority of the investors said that their source of income is from salary, pension and dividend/interest. The study also found that major investors build their portfolio based as per their planned schedule and the reason for them to create a portfolio is to achieve their goals like comfortable retirement, coping inflation, to meet the marriage expenses for their children and to meet future contingencies.

Index Terms— Investors, Portfolio, Investment avenues, rate of return and decision making.

I. INTRODUCTION

Individual investment activity is the extending the money saved to any corporate, Government or to any institution for the purpose of earning revenue. These individuals expect a maximum possible return during the period of investment with the reasonable risk associated with the investment. Individuals sacrifice the present value of income for attaining uncertain value of money in future. Decision making mainly depends upon the type, period, mix, grade and the amount. Decision making also includes a disinvestment by the individuals. The investors always expect a positive rate of return with adjustment in the rate of inflation and risk. The augmented obligation for the financial futures both for oneself and for their offsprings has made an individual to take a wise decision for their portfolio investments.

Manuscript received April 30, 2015

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II. REVIEW OF LITERATURE

Browning and Crossley (2001) have stated that the investors always take into consideration the relationship between the investment decisions, investment process and the final investment performance while deciding their investment. Craig, Thomas R (2002) revealed that the individual investors can flourish only if they prioritise the pre-tax returns and returns among the avenues. Dorn, Daniel, Huberman and Gur (2005) have revealed that the investors with fewer portfolios are more risk tolerant and trade more aggressively.

Beach, Steven L and Rose, Clarence C (2005) has revealed that the behavioural features of the investors have an effect of reconstruction of portfolio by decreasing the errors and helps to achieve the aim of their investment. Gerhardt, Ralf; Meyer and Steffen (2013) have concluded that the trading action based on portfolio facts is influenced by income, gender and risk tolerance of individuals. Calvet, Laurent et al. (2009) have revealed that the aggregate rebalancing towards a risky investment is done by prosperous and educated investors in Sweden. King, J Stephen, (2002) has concluded that nearly three-fourth of the individual investors is having mutual funds revealing the tremendous growth of mutual funds in United States. Manigart, Sophie; Wright and Mike (2013) have revealed that there is dissimilarity between private equity and venture capital investors in their investment decisions.

Muermann, Alex, Sharpe and William (2008) have said that the preferences of individual investors are influenced by the portfolio allocations, loss aversion and the effect of market incompleteness on equilibrium prices. Cappelletti, et al (2014) have said that the investors who are about to retire do not take risk in their portfolio. Srinivas and Valaipuram (2000) have revealed that the individual investors need advice from financial professionals for their financial planning. Kritzman, Mark (1992) has concluded that the individual investors depends mostly on their intuitions while investing and results in a decrease in their expected returns.

III. STATEMENT OF THE PROBLEM

There are many factors, like liquidity, age, commitments, duration, risk, inflation, uncertainty, capital appreciation, taxation, which influence the individual in deciding his/her investment avenue. The major reason of a portfolio to be constructed is based on the risk appetite, duration and age of an individual to invest in any avenue. Thus, investors have to take into consideration the above mentioned factors while deciding their portfolio.

IV. OBJECTIVE AND SCOPE OF THE STUDY

The objective of the study is to know about the individual preference towards major avenues and to identify the most important factors that have influenced the investor to choose those avenues. This study covered the investor residing in the

area of Trichy (Tier-3), Chennai (Tier-1) and also from the customers of myassetsconsolidation.com.

V. SOURCE OF DATA AND TOOLS USED

Convenient Random Sampling has been followed to collect the primary data from 150 number of investors by administering a questionnaire. Statistical tools namely Percentage analysis and one-way ANOVA are used to analyse the data with the help of SPSS package.

VI. ANALYSIS AND DISCUSSION

An individual has different goals of his/her financial plan and to meet these goals, he/she needs a portfolio of investment. A portfolio investment includes a wide range of asset classes namely, stocks, government bonds, treasury bills, real estate investment, mutual funds and the like. The construction of portfolio depends on risk tolerance of investors, investment horizon and the amount of investment. Any portfolio investment is made with an expectation of return which is always related with the expected risk on investment. The perception of individual investors towards the portfolio investment decision is studied in the following tables.

Table No. 1 Socio-Economic Profile of the Respondents

Gender	No.	% to Total	Marital Status	No.	% to Total
Male	89	59.30	Married	89	59.30
Female	61	40.70	Unmarried	61	40.70
Total	150	100.00	Total	150	100.00
Age (Years)	No.	% to Total	Occupation	No.	% to Total
< 25	47	31.30	Business	21	14.00
25 - 30	25	16.70	Employment	88	58.67
30 - 40	27	18.00	Profession	9	6.00
> 40	51	34.00	Others	32	21.33
Total	150	100.00	Total	150	100.00
Annual Income (Rs in Lakh)	No.	% to Total	Period of Investment (years)	No.	% to Total
< 3	47	31.30	< 1	11	7.33
3 - 8	77	51.40	1 - 3	41	27.33
8-13	14	9.30	3 - 5	47	31.34
>13	12	8.00	>5	51	34.00
Total	150	100.00	Total	150	100.00

Source: Primary Data

The above table depicts that 59.30% of the respondents are male and 40.70% of the respondents are female. 34% of the respondents belong to the age group of above 40 years, 31.30% of the respondents belong to the age group of below

25 years, 18% of the respondents belong to the age group between 30 – 40 years and 16.70% of the respondents belong to the age group between 25 – 30 years. 59.30% of the respondents are married and 40.70% of the respondents are unmarried. 58.67% of the respondents are employed and 14% are businessmen. Only 6% are professionals. Others include the home makers and student respondents.

51.40% of the respondents earn between Rs.3,00,000 – Rs.8,00,000, 31.30% of the respondents earn below Rs.3,00,000, 9.30% of the respondents earn between Rs.8,00,000 – Rs.13,00,000 and 8% of the respondents earn above Rs.13,00,000. 34% of the respondents are investing for the period of more than 5 years, 31.30% of the respondents are investing for the period between 3 – 5 years, 27.30% of the respondents are investing for the period between 1 – 3 years and 7.30% of the respondents are investing for the period less than 1 year.

Table No.2 Period of Return and Investment avenues

Period of Return	No.	% to total	Investment Avenues	No.	% to total
Monthly	34	22.70	Bank Deposit/ Post Office	150	100.00
Quarterly	10	6.70	Gold	68	45.30
Half-Yearly	14	9.30	Equity shares/ Mutual Funds	58	38.70
Annually	92	61.30	Real Estate	21	14.00
Total	150	100.00	Insurance	92	61.30
			Bond/Debenture	24	16.00

Source: Primary Data

As per the above table, 61.30% of the respondents prefer annual return, 22.70% of the respondents prefer monthly return, 9.30% of the respondents prefer half-yearly return and 6.70% of the respondents prefer quarterly return on their investments. Of the total respondents, 100% of them are investing in Bank Deposit, 61.30% in Insurance, 45.30% in Gold, 38.70% in Equity Shares/Stocks/Mutual Fund. 16% in Bonds/Debentures and 14% have invested in Real Estate.

The following hypothesis is framed to test the impact of Gender, age and occupational pattern on selection of the investment avenue using ANOVA single factor.

Ho: Gender, age and occupational pattern do not influence the selection of the investment avenue.

Table No.3 Relationship between demographic factors and investment avenue selection

- ANOVA single factor

Investment Avenue	Gender		Age		Occupational pattern	
	P Value	Result	P Value	Result	P Value	Result
Bank Deposi	.000	Rejected	.000	Rejected	.000	Rej

t/ Post Office						e c t e d
Gold	.000	Rejecte d	.715	Accept ed	.001	R e j e c t e d
Equity Share/ Mutual Fund	.119	Accept ed	.111	Accept ed	.045	R e j e c t e d
Real Estate	.091	Accept ed	.749	Accept ed	.002	R e j e c t e d
Insuran ce	.413	Accept ed	.084	Accept ed	.109	A c c e p t e d
Bond/ Debent ure	.213	Accept ed	.437	Accept ed	.003	R e j e c t e d
All avenue s	.909	Accept ed	.658	Accept ed	.001	R e j e c t e d

Source: Primary data @ 5% Level of Significance

Gender influence in selecting the investment avenue of Bank Deposit/Post Office and Gold because generally gold is preferred by female as they are fond of wearing gold ornaments and also prefer liquidity. The gender do not influence in selecting the investment avenues like Equity Share/Stocks/Mutual Fund, Real Estate, Insurance and Bond/Debenture because in today's modern world each and every decision regarding investment is taken commonly by male and female since both are employed.

The age do not influence the selection the investment avenues like Gold, Equity Share/Stocks/Mutual Fund, Real Estate, Insurance and Bond/Debenture because the investors investing in these avenues want to get tax exemption and also to fulfil their long-term commitments. The age influence in selecting bank deposit/post office because senior citizen thinks that bank will be the safer investment avenue as it protects capital amount.

The occupational pattern influence in selecting the investment avenues like Bank Deposit/Post Office, Gold, Equity Share/Stocks/Mutual Fund, Real Estate and

Bond/Debenture because the income level of private, public, government employees will differ from each other which ultimately results in investment decision. The occupational pattern do not influence in selecting insurance because nowadays each and every organisation provide insurance coverage to their employees.

VII. RECOMMENDATIONS AND CONCLUSION

The age group between 30 – 40 years can invest in insurance, as it is one of the main investment avenues for their guaranteed future life. The respondents who are earning above Rs.8,00,000 can invest in the investment avenues like bonds, debentures to get their tax exemption. The married investors need to consider their child education cost, marriage cost before building a portfolio. The respondents who are having more than one source of income can invest in different investment avenues rather than investing in only one or two avenues. The respondents who prefer more than 5 years period of investment can invest in the avenues like bonds and debentures to avail tax exemption. Life span of individuals is increasing and general life expectancy is almost 80 – 85 years. Majority of the investors said that their source of income is from salary, pension and dividend/interest. The study also found that major investors build their portfolio based as per their planned schedule and the reason for them to create a portfolio is to achieve their goals like comfortable retirement, coping inflation, to meet the marriage expenses for their children and to meet future contingencies. Normally, one starts a career at the age of 25 and ends by 55 years of age (30 years Golden Period of human Life) many of individuals are taking either sabbatical or retiring to pursue other aims in life. An Individual has to Earn, Save and Invest during Golden Period for their Golden Years (i.e., 55 years to 85 years).

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