

# A Study on Investors Preference towards Investment Avenues

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## **ABSTRACT**

*Now a day there is plenty of investment opportunities available in the market and one must decide on the suitable among those investments. The person who deals with the investment must be familiar with all the diverse investment opportunities to attain their goal. Moreover the investment decision of the individuals to a great extent influenced by the benefits they derived on a particular investment. This study aims to identify the relationship between the demographic variable of the respondents and the investor's choice among the investment avenues. The sample size selected for this study was one hundred respondents and was conveniently selected from the Chennai city. The structured questionnaires were used to collect the data. The data collected through the questionnaire were analyzed using SPSS version 21. The study found that among the various investment avenues the most preferred type of investment by the investors of Chennai city is Land & building and gold.*

**Keywords:** *Investors, Investment avenues, Choice of investment, Investors preference*

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## **INTRODUCTION**

Finance is the life blood for every organisation, it is not only important for the organisation it is must for the survival of an individual. The management of finance is known as financial management. One of the important functions of financial management is investment decision.

Investment decision is nothing but the selection of type of assets in which the funds can be invested in order to get maximum return out of it.

The economic development of the country also depends upon the investment of the nation. Therefore Savings and Investments form an essential element of human life. Investment refers to the employment of money with a plan to earn a productive return from it. In other words, investment is a practice, where funds are being utilized with an expectation of making more money. Among the investment alternatives, it is the responsibility of the investor to make an analysis before choosing the investment avenue.

Investment means, an application of funds on assets with an intention to earn income or capital appreciation. The two main factors that influence the investment decisions are time and risk. An Investment is defined as “commitment of current financial resources in order to achieve higher gains in the future”. An investor is a person who employs money in investment products with the expectation of financial return in future.

There are wide-range of investment opportunities to the investors, which poses a challenging questions like, why, where, how, how much and when to invest. Hence, an investment involves difficult decision making process. The return on such investment depends on the investor’s preference towards various investment avenues, his/her ability to take risk and also on his/her demographic characteristics. Hence this study focused on the variables which determine the investment avenues.

## **REVIEW OF LITERATURE**

Rakesh H M, Dr. Nalina K B (2017) identified in their study, that the return expectations, demographic profile, attitude of investor, risk perception plays a very important role in financial markets.

Sood, D., & Kaur (2015) found in their study that there is a relationship between the Annual Savings and Age, Income, Sector wise Employment, Education of people at Chandigarh. It is also identified that the most preferred investment options are LIC and bank deposits. Most important factors which influence the investment decisions were high returns, tax benefit and safety.

Agarwal, G., & Jain, M. (2013) found that if the investors have been provided more funds, then they would like to invest in Real Estates because of its rapid growth. The study concluded that the Real Estate is the most preferred investment avenue by the investors of Mathura.

Bhushan, P., & Medury, Y. (2013) suggested that significant gender differences occur in the investment preferences of health insurance, fixed deposits and the market investments of employees.

Geetha, N., & Ramesh, M. (2011) in their study entitled “A study on people’s preferences in Investment Behaviour” concluded that in Kurumbalur, the respondents are having medium awareness about the various investment choices but they do not aware about the stock market, equity, bonds and debentures.

Mittal, M., & Vyas, R. K. (2007) found that an individual investor prefers to invest in financial products which gives risk free returns.

### **Research gap**

Reviews of past researches indicate that returns expectation, demographic profile, attitude of investor, risk perception plays a very important role in financial markets. Therefore, an attempt has been made to study the most preferred form of investment by the investors’ to get a better understanding and to identify the different investment avenues.

## **OBJECTIVES OF THE STUDY**

- ✓ To ascertain the Investment Avenue preferred by the investors.
- ✓ To identify whether demographic variables of the respondents influence the choice of investment.

## **SCOPE OF THE STUDY**

The empirical study attempts to know the profile of investors and analyze the characteristics of the investors. The present study tried to identify the influence of demographic factors like gender, age, occupation and income on investment choice. The study restricted to selected investment products.

## **RESEARCH METHODOLOGY**

**Sample size:** The survey was carried out in Chennai city during the period from January to march 2018. The data was collected from 100 respondents of Chennai city.

**Sampling Technique:** The study adopted convenience sampling method.

**Data collection:** The structured questionnaire helps to collect primary data and to interact with the respondents. Beforehand a pilot test of the questionnaire was done with 30 respondents. Their opinions were incorporated in the final questionnaire.

**Data Analysis Technique:** The data collected was analysed using Statistical Package for the Social Sciences (SPSS) version 21. The statistical tool used in the study was chi-square test.

## **RESEARCH HYPOTHESES**

H<sub>0</sub>: Age group of the investors do not influence the choice of investment avenues.

H<sub>0</sub>: Gender difference of the respondents does not influence the choice of investment avenues.

H<sub>0</sub>: Nature of occupation of the investors does not influence the choice of investment avenues.

H<sub>0</sub>: Income of the investors does not influence the choice of investment avenues.

## DATA ANALYSIS AND DISCUSSION

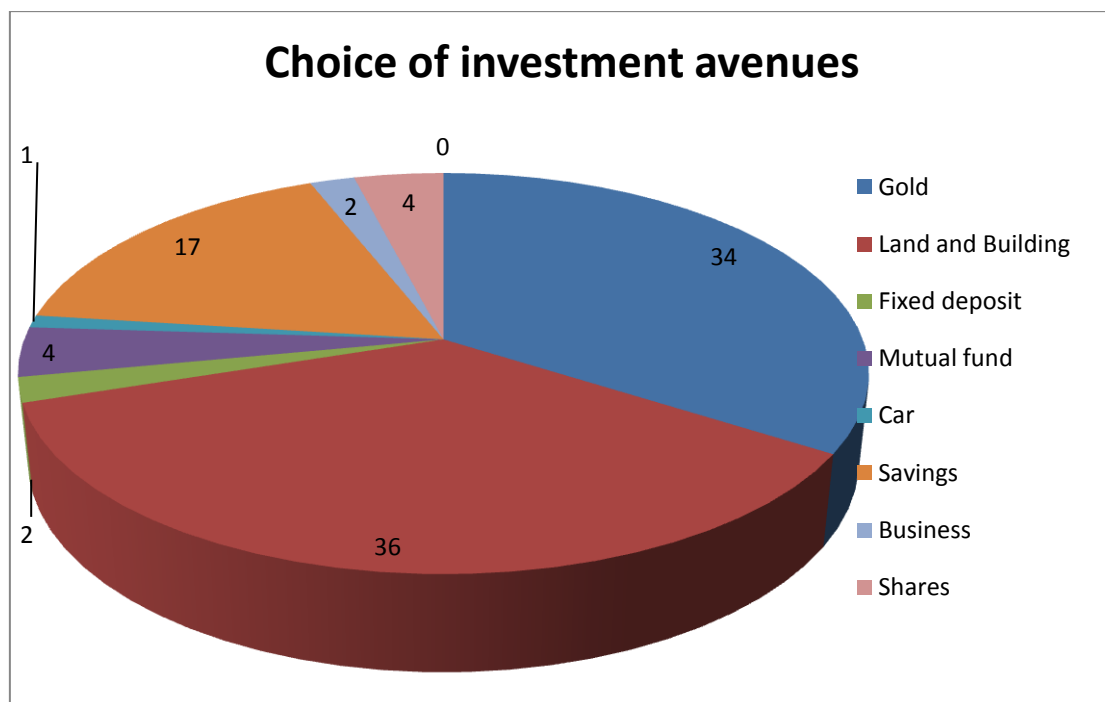
**Table 1: Demographic profile of the respondents**

Demographic variables		Frequency	Percentage
Age	Less than 30 years	36	36.0
	31- 45 years	50	50.0
	Above 45 years	14	14.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Gender	Male	32	32.0
	Female	68	68.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Occupation	Private	74	74.0
	Government	9	9.0
	Self employed	17	17.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>
Monthly income	Less than 20000	33	33.0
	20000- 40000	45	45.0

	40001-60000	9	9.0
	Above 60000	13	13.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Compiled by the researcher.

**Figure 1: Choice of investment by the respondents**



Source: Compiled by the researcher.

It is observed from the figure 1 that majority (36%) of the respondents are preferred to invest in land and building, followed by gold (34%), 17% preferred savings, 4% in shares and mutual fund.

**Null Hypothesis:** Age group of the investors do not influence the choice of investment avenues.

**Table 2: Chi-square test for age and investment avenues**

<b>Investment avenues</b>	<b>Age</b>	<b>Count</b>	<b>% within Age</b>	<b>% within investment avenues</b>	<b>Chi-Square value</b>	<b>Sig</b>
Gold	Less than 30 years	10	27.80%	29.40%	21.839	.082
	31- 45 years	21	42.00%	61.80%		
	Above 45 years	3	21.40%	8.80%		
	Total	34	34.00%	100.00%		
Land and Building	Less than 30 years	12	33.30%	33.30%		
	31- 45 years	17	34.00%	47.20%		
	Above 45 years	7	50.00%	19.40%		
	Total	36	36.00%	100.00%		
Fixed deposit	Less than 30 years	1	2.80%	50.00%		
	31- 45 years	1	2.00%	50.00%		
	Above 45 years	0	0.00%	0.00%		
	Total	2	2.00%	100.00%		
Mutual fund	Less than 30 years	4	11.10%	100.00%		
	31- 45 years	0	0.00%	0.00%		
	Above 45 years	0	0.00%	0.00%		
	Total	4	4.00%	100.00%		
Car	Less than 30 years	0	0.00%	0.00%		
	31- 45 years	1	2.00%	100.00%		
	Above 45 years	0	0.00%	0.00%		

	Total	1	2.00%	100.00%		
Savings	Less than 30 years	5	13.90%	29.40%		
	31- 45 years	8	16.00%	47.10%		
	Above 45 years	4	28.60%	23.50%		
	Total	17	17.00%	100.00%		
Business	Less than 30 years	0	0.00%	0.00%		
	31- 45 years	2	4.00%	100.00%		
	Above 45 years	0	0.00%	0.00%		
	Total	2	4.00%	100.00%		
Shares	Less than 30 years	4	11.10%	100.00%		
	31- 45 years	0	0.00%	0.00%		
	Above 45 years	0	0.00%	0.00%		
	Total	4	11.10%	100.00%		

Source: Compiled by the researcher.

The above table shows the results of Chi-square test to find whether the choice of investment varies with age group. It is observed from the table 2, that the chi square value is 21.839 and the p value is .082 which is higher than 0.05 hence the null hypothesis is accepted. It is concluded that, choice of investment do not vary with the respondents of different age group. Moreover the youngsters (33.33%) and aged respondents (50%) are attracted in investing in land and building than the other sort of investments whereas the middle aged (42%) is preferred to invest in gold.

**Null Hypothesis:** Gender difference of the respondents does not influence the choice of investment avenues.

**Table 3: Chi-square test for gender and investment avenues**

Investment avenues	Gender	Count	% within Gender	% within Investment avenues	Chi-Square value	sig
Gold	Male	6	18.8%	17.6%	20.493	.005**
	Female	28	41.2%	82.4%		
	Total	34	34.0%	100.0%		
Land and Building	Male	16	50.0%	44.4%		
	Female	20	29.4%	55.6%		
	Total	36	36.0%	100.0%		
Fixed deposit	Male	1	3.1%	50.0%		
	Female	1	1.5%	50.0%		
	Total	2	2.0%	100.0%		
Mutual fund	Male	0	0.0%	0.0%		
	Female	4	5.9%	100.0%		
	Total	4	4.0%	100.0%		
Car	Male	1	3.1%	100.0%		
	Female	0	0.0%	0.0%		
	Total	1	1.0%	100.0%		
Savings	Male	3	9.4%	17.6%		
	Female	14	20.6%	82.4%		
	Total	17	17.0%	100.0%		
Business	Male	1	3.1%	50.0%		

	Female	1	1.5%	50.0%		
	Total	2	2.0%	100.0%		
Shares	Male	4	12.5%	100.0%		
	Female	0	0.0%	0.0%		
	Total	4	12.5%	100.0%		

Source: Compiled by the researcher.

Note: \*\* denotes significance at 1% level

Table 3 shows the results of Chi-square test to find whether the choice of investment varies with male and female respondents. It is observed from table 3, that chi square value is 20.493 and p value is 0.005 which is less 0.01. Hence the null hypothesis is rejected at 1% level of significance. It is identified that the choice of investment do vary with male and female respondents. Besides the majority of the male respondents (50%) are preferred to invest in land and building than the other kind of investments whereas the female respondents (41.2%) are attracted to make investment in gold.

**Null Hypothesis:** Nature of occupation of the investors does not influence the choice of investment avenues.

**Table 4: Chi-square test for occupation and investment avenues**

<b>Investment avenues</b>	<b>Occupation</b>	<b>Count</b>	<b>% within Occupation</b>	<b>% within Investment avenues</b>	<b>Chi-Square value</b>	<b>sig</b>
Gold	Private	26	35.1%	76.5%	12.754	.546
	Government	2	22.2%	5.9%		
	Self employed	6	35.3%	17.6%		
	Total	34	34.0%	100.0%		
Land and Building	Private	24	32.4%	66.7%		
	Government	6	66.7%	16.7%		
	Self employed	6	35.3%	16.7%		
	Total	36	36.0%	100.0%		
Fixed deposit	Private	2	2.7%	100.0%		
	Government	0	0.0%	0.0%		
	Self employed	0	0.0%	0.0%		
	Total	2	2.0%	100.0%		
Mutual fund	Private	4	5.4%	100.0%		
	Government	0	0.0%	0.0%		
	Self employed	0	0.0%	0.0%		
	Total	4	4.0%	100.0%		
Car	Private	0	0.0%	0.0%		
	Government	0	0.0%	0.0%		
	Self employed	1	5.9%	100.0%		

	Total	1	1.0%	100.0%		
Savings	Private	12	16.2%	70.6%		
	Government	1	11.1%	5.9%		
	Self employed	4	23.5%	23.5%		
	Total	17	17.0%	100.0%		
Business	Private	2	2.7%	100.0%		
	Government	0	0.0%	0.0%		
	Self employed	0	0.0%	0.0%		
	Total	2	2.0%	100.0%		
Shares	Private	4	5.4%	100.0%		
	Government	0	0.0%	0.0%		
	Self employed	0	0.0%	0.0%		
	Total	4	4.0%	100.0%		

Source: Compiled by the researcher.

The above table 4 illustrates the results of Chi-square test to find whether the choice of investment varies with respondents of different occupations. The table shows the chi square value (12.754) and the p value (0.546) is higher than the table value 0.05. Hence the null hypothesis is accepted. It is concluded that choice of investment do not vary with the respondents having varied occupation. Further the respondents in private concern prefer to invest in gold, the respondents in government sector preferred to invest in land and building and the self-employed respondents preferred savings.

**Null Hypothesis:** Income of the investors does not influence the choice of investment avenues.

**Table 5: Chi-square test for income and investment avenues**

<b>Investment avenues</b>	<b>Income</b>	<b>Count</b>	<b>% within Income</b>	<b>% within Investment avenues</b>	<b>Chi-Square value</b>	<b>sig</b>
Gold	Less than 20000	11	33.3%	32.4%	39.498	.009**
	20000- 40000	20	44.4%	58.8%		
	40001-60000	2	22.2%	5.9%		
	Above 60000	1	7.7%	2.9%		
	Total	34	34.0%	100.0%		
Land and Building	Less than 20000	9	27.3%	25.0%		
	20000- 40000	13	28.9%	36.1%		
	40001-60000	5	55.6%	13.9%		
	Above 60000	9	69.2%	25.0%		
	Total	36	36.0%	100.0%		
Fixed deposit	Less than 20000	1	3.0%	50.0%		
	20000- 40000	0	0.0%	0.0%		
	40001-60000	1	11.1%	50.0%		
	Above 60000	0	0.0%	0.0%		
	Total	2	2.0%	100.0%		
Mutual fund	Less than 20000	4	12.1%	100.0%		
	20000- 40000	0	0.0%	0.0%		
	40001-60000	0	0.0%	0.0%		
	Above 60000	0	0.0%	0.0%		

	Total	4	4.0%	100.0%		
Car	Less than 20000	0	0.0%	0.0%		
	20000- 40000	0	0.0%	0.0%		
	40001-60000	1	11.1%	100.0%		
	Above 60000	0	0.0%	0.0%		
	Total	1	1.0%	100.0%		
Savings	Less than 20000	7	21.2%	41.2%		
	20000- 40000	8	17.8%	47.1%		
	40001-60000	0	0.0%	0.0%		
	Above 60000	2	15.4%	11.8%		
	Total	17	17.0%	100.0%		
Business	Less than 20000	1	3.0%	50.0%		
	20000- 40000	1	2.2%	50.0%		
	40001-60000	0	0.0%	0.0%		
	Above 60000	0	0.0%	0.0%		
	Total	2	2.0%	100.0%		
Shares	Less than 20000	0	0.0%	0.0%		
	20000- 40000	3	6.7%	75.0%		
	40001-60000	0	0.0%	0.0%		
	Above 60000	1	7.7%	25.0%		
	Total	4	4.0%	100.0%		

Source: Compiled by the researcher.

Note: \*\* denotes significance at 1% level

Table 5 portrays the Chi-square test results to find whether the choice of investment varies with respondents of different income group. It is observed from the table 5 that chi square value (39.498) and the p value (0.009) are less than the table value 0.01. Hence the null hypothesis is rejected at 1% level of significance. The analysis proved that the choice of investment do vary with respondents of different income group. Besides, the low income group and Rs. 20000-40000 income groups preferred to invest in gold and 40000-60000 and more than 60000 income group preferred to invest in land and buildings.

## **RESULTS AND DISCUSSION**

- ✓ The study ascertained that on the whole the respondents preferred to invest in land, building and gold.
- ✓ It is identified that majority of the youngsters and aged respondents intent to invest in land and building and the middle aged respondents invest in gold.
- ✓ It also found that the male preferred to invest in land and building whereas female is attracted to buy gold.
- ✓ The respondents working in private concern wish to invest in gold, the respondents in government sector favoured to invest in land and building and the self-employed respondents preferred savings.
- ✓ Low income group desired to buy gold and high income group wished to invest in land and building.
- ✓ General awareness is to be created among all the age group people regards to varied investment avenues.
- ✓ Respondents who have less knowledge in investment must be properly guided to make investment.

- ✓ Extra care and support is required to make investment and hence proper information sharing by companies, periodic market assessment, and company quality is to be informed to investors every now and then.
- ✓ Investment in mutual fund is comparatively less and hence information is to be provided to investors about the benefits of mutual funds investments.

## CONCLUSION

From the above study the researcher concluded that the demographic variables namely gender and income of the respondents plays a very important role in determining the choice of investment. The other variables such as age and occupation do not influence the respondents' choice towards the investment avenues. The researcher also found that even though there exist plenty of investment avenues the majority of the investors preferred to invest either in land and building or in gold, this shows their lack of knowledge and awareness with regards to other investment avenues. Henceforth Investors must be educated to read and be aware of market situation through magazines and news papers about the trends of investment.

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