

**A STUDY ON PREFERENCES OF INVESTMENT AVENUES OF
INDIVIDUALS OF HIGHLY QUALIFIED (HAVING PROFESSIONAL
DEGREES) INVESTORS: PUNE CITY**

Prof.Sonali Patil

Asst. Professor (Finance)
International Institute Of Management Science
Pune University

Dr. Kalpana Nandanwar

Coordinator, Department Of Commerce, M. J. College, Jalgaon,
North Maharashtra University.

ABSTRACT

Making a savings or investment is a vital part of anyone's life. Investors invest their money for getting appreciation on it but risk and return both are going hand in hand, high risk high return and vice-versa. Investor's investment pattern needs to be understood properly so that proper guidance can be done accordingly. The study throws a light on the preferences of investment avenues by highly qualified professional such as doctors, engineers; CA, Professors, Lawyers and etc. Those are having professions of their own. Descriptive research method has used for the research study. The data has been collected through structured questionnaire by using purposive sampling method with a sample size of 94 investors. Anova has applied for testing the hypothesis. The study has revealed that investors are investing mostly in traditional investment avenues as it is low risk avenue and less preferred to invest in modern investment avenues as it has high risk.

Key Words: Investments, Professional Investors, Risk, Returns.

1. INTRODUCTION

Investment means the purchase by an individual of a financial or real asset that produces a return proportion to the risk assumed over some future investment period. Many individuals find investments fascinating because they can participate in the decision making process and see the results of their choices. Not all investments will be profitable, as investors will not always make the correct investment decisions over the period of years; however, one should earn a positive return on a diversified portfolio. In addition, there is the thrill of the major success, along with the agony associated with the stock that dramatically rose after one has sold or did not buy. Investment is the deployment of savings with the intention of maintaining or increasing its value or earning an income.

Investment portfolio is an option where investors can invest their money as per the risk bearing capacity. High risk avenues include Equity Share Market, Commodity Market and FOREX Market. Moderate Risk avenues are Mutual Funds, Life Insurance, Debentures, and Bonds. Safe/Low Risk avenues are Savings Account, Bank Fixed Deposits, Public Provident fund, Government Securities and etc. Traditional avenues are Real Estate (property), Gold/Silver, and Chit Funds. Emerging avenues are Virtual Real Estate, Hedge Funds/Private Equity Investments, Art and Passion.

An individual investor normally has three types of financial investments:

- i) Liquid investments such as Savings Account, etc.
- ii) Liquid funds - regular income investments that are Fixed Deposits, Bonds, Debentures, etc.
- iii) Growth Investments like equity based mutual funds, residential house property, gold, etc.

2. Research Methodology

2.1 RESEARCH PROBLEM: In today's era lot of investment avenues are available in India. Private and public sector offers various options for investment. Investors keenly invest in these avenues without using expertise knowledge, skills and opinion as they are emotionally attached with common/ traditional investment avenues. Researcher has selected topic in order to analyse preferences of investment avenues by highly qualified professionals as education is the key factor in investment process. Investment is a process of getting higher return in the form of profit or dividend to the investors so care should be taken while doing investment. Preferences of the investment avenues are a vital part of the investments because proper investment options give good returns. To study the preferences of the investment avenues is important and so this study is essential to investigate the answers of questions.

2.2 OBJECTIVES OF THE STUDY

- a. To study the preferences and priorities of Individual Investor of Pune.
- b. To study occupation wise investment portfolio of men and women.

2.3. HYPOTHESIS

- a. There is no significance relationship between occupation and preferences of investments.
- b. There is no significant relationship between income of individual and the preference of investment.

3. REVIEW OF LITERATURE

Puneet Bhushan & Yajulu Medury¹ (2013) concluded that women are more conservative and takes less risk and significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees.

V.R.Palanivelu & K.Chandrakumar² (2013) highlights that certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. make significant impact while deciding the investment avenues.

Lalit Mohan Kathuria & Kanika Singhanian³ (2012) concluded that private sector banking employees were investing a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues.

V.R. Palanivelu, K.Chandrakumar (2013)⁴ “A Study on Preferred Investment Avenues among Salaried Peoples with Reference to Namakkal Taluk, Tamil Nadu, India”. This research paper identifies the preferred investment avenues among the individual investors in Namakkal Taluk of Tamil Nadu. The study is based on primary sources of data .The data has been analyzed using percentage and chi-square test with the help of statistical software. In this paper has examined how the salaried people are managing their investments. The paper concludes that many of them invest in common investment avenues and not aware about investment in share market, equity etc.

4. RESEARCH DESIGN

The Research design is Descriptive in nature.

Particulars	Research Design
Sample Unit	Pune City
Sample Population	Highly qualified Individual Investors
Sample Size	94
Sampling method	Purposive sampling
Data collection method	Primary Data

Instrument for Data collection	Questionnaire
Tools for analysis	Frequency distribution and chi-square

5.DATA ANALYSIS & INTERPRETATION

General Information about Investors

Table No. 5.1

Sr.no	Investors particulars		No. of Respondents	Percentage
01	Gender	Male	85	90 %
		Female	09	10 %
02	Age	20-35	46	49 %
		35-45	32	34 %
		45 & above	16	17 %
03	Occupation	Engineers	27	29 %
		Doctors	32	34 %
		Professor	10	11 %
		CA	03	3 %
		Non- Govt. Jobs	16	17 %
		Government Jobs	06	6 %
04	Qualification	Graduation	35	37 %
		Post-graduation	41	44 %
		Doctorate	18	19 %
05	Income Group	Upto 400000	21	22 %
		400000-600000	45	48 %
		600000-800000	15	16 %
		800000 & above	13	14 %

(Sources: Author compilation)

The questionnaire consists of three sections i.e. general information about Investors, Investment pattern and Individual preferences and priorities. Data interpretation is a crucial part of any research. The data needs to be analysed and it needs to be testified in proper manner for desired results. The study has been carried out as per the stated objectives.

Above table gives detail information about the demographic factors such as gender, age, qualification, occupation and income group. If we see gender, 80% are male and 10% are female. Age wise if we look into it, it shows decreasing trend i.e. 49%, 34% and 17% respectively it indicates that youngsters are very keen and interested in investments.

Occupation wise data analysed in table which brief us about investors' occupation. It includes Doctors, Engineers, professionals those are working in private sector, professional those are working in government sector and CA. The data includes 29 % engineers, 34 % doctors, 11 % professors, 3 % CA, 17 % Non-Govt. professionals, 6 % Government professionals. Highly qualified investors are taken for the study. Their qualification details are mentioned in the table which shows that 37% are Graduates, 44% Post Graduates and 19% are Doctorates. Income group is one of the most important demographic factors which is closely associated with investments. Researcher found that 44% of the total respondents are having income range from 400000-600000 which is highest among all income groups whereas 19% of the total respondents are having lowest income group i.e. 800000 & above.

Preferences of Investments:

Table No. 5.2
Preferences of Investment by Respondents

Investment Option	Responses	
	Frequency	Rank
Stock Market	32	VII
Bank Deposit	53	I
Real Estate	48	II
Mutual Fund	36	V
Insurance	44	IV
Tax saving Scheme	34	VI
Debt Market	2	IX
Gold	45	III
Others	13	VIII

(Sources: Author compilation)

Research has done to analyse the preferences and priorities given by the individual so in the table no. 5.2 preferences are shown. Bank deposits are on I rank which indicates that investors want safety and security for their investment. Real estate, Gold, Insurance, Mutual funds are on II rank, III rank, IV rank, V rank respectively. We can see clearly that Individuals prefer mostly traditional investments whereas modern investment avenues have not preferred by individuals as ranking has given is less preferred.

Age wise Rank of Investment preferences

Table no. 5.3

	20-35	Rank	36-45	Rank	45 & above	Rank
Stock Market	14	VI	09	V	6	III
Bank Deposit	26	II	10	IV	9	I
Real Estate	21	III	17	I	6	III
Mutual Fund	16	V	12	III	6	III
Insurance	35	I	14	II	5	IV
Tax saving Scheme	14	VI	12	III	6	III
Debt Market	2	VIII	--	VII	....	VI
Gold	19	IV	17	I	8	II
Others	07	VII	2	VI	2	V

(Sources: Author compilation)

The age group has divided into three groups i.e. 20-35, 36-45 and 45 & above. The ranks are based on the age group wise which will give us clear idea about the preferences of investment avenues. In the age group of 20-35, Insurance is preferred as it has I rank which shows that youngster wants to secure their life. Youngsters are well known about traditional investment as they have given more preferences to these avenues. Safety and security are the prime objectives of the investors. If we examine the age group 36-45, Real estate, Insurance and mutual fund is the first, second and third priority of investors respectively. 45 & above investors preferred bank deposits as a favourite investment avenue as it is safe and secured. Second and third rank is given to gold, stock market, tax saving schemes and real estate which implies that investors prefer to invest in stock market as it is on II rank. No one preferred debt market this age group. The reasons may be lack of awareness and risk associated with the avenue.

Gender wise Rank of Investment preferences

Table no. 5.4

	Male (Frequency)	Rank	Female (Frequency)	Rank
Stock Market	28	VI	02	VI
Bank Deposit	45	II	7	II
Real Estate	42	III	4	IV
Mutual Fund	33	V	02	VI
Insurance	57	I	05	III
Tax saving Scheme	29	VI	5	III
Debt Market	02	VIII	--	VII
Gold	39	IV	61	I
others	9	VII	3	V

(Sources: Author compilation)

Table no. 5.4 presents the Gender wise distribution of investment preferences. Numbers of Male investors are more as compared to female. Male investors have given I, II, III and IV rank given to Insurance, bank deposits, real estate and gold it indicates that male investors want to secure their life of family members. Real estate is on next rank i.e. II. Female respondents have ranked I, II, III to gold, Bank deposits and Insurance respectively. It shows that traditional investment avenues are generally preferred for investment purpose.

Income wise rank of investment preferences of avenues

Table No. 5.5

	Upto 400000	Rank	400000- 600000	Rank	600000- 800000	Rank	800000 & above	Rank
Stock Market	08	IV	11	VI	6	III	6	III
Bank Deposit	05	VI	29	I	8	II	9	I
Real Estate	10	III	19	III	10	I	7	II
Mutual Fund	06	V	17	V	8	II	5	IV
Insurance	14	I	18	IV	5	IV	7	II
Tax saving Scheme	08	IV	17	V	5	IV	4	V
Debt Market	00	VIII	1	VIII	1	V	00	VII
Gold	12	II	21	II	5	IV	7	II
Others	03	VII	7	VII	1	V	2	VI

(Sources: Author compilation)

From the above chart we can conclude that most of the investors prefer Bank deposits, gold, real estate and Insurance as the best investment option and less prefer Debt market, Stock market, tax saving schemes and others as an investment option.

Occupation wise preferences of Investment avenues
Table no. 5.6

Investment Option	Occupation											
	Engineer	Rank	Doctor	Rank	Professor	Rank	CA	Rank	Professionals in private companies	Rank	Professionals in Govt. sector	Rank
Stock Market	9	IV	10	VII	11	II	10	V	13	V	4	IX
Bank Deposit	12	I	16	II	15	I	14	III	15	III	22	I
Real Estate	12	I	15	III	8	III	13	IV	19	I	16	IV
Mutual Fund	2	VII	9	V	5	VI	11	VI	4	VIII	9	VI
Insurance	11	II	17	I	8	V	16	II	14	IV	17	III
Tax saving Scheme	8	V	11	VI	3	VIII	17	I	9	VI	15	V
Debt Market	1	VII	1	VIII	....	IX	6	VIII	3	VIII	3	VIII
Gold	10	III	13	IV	6	IV	7	VII	18	II	21	II
Others	5	VI	2	VII	1	VII	2	IX	6	VII	5	VII

(Sources: Author compilation)

From the above table 5.6. It can be seen that Occupation wise investors most also gives preferences to the traditional investment avenues. Bank deposits, real estate, insurance and gold are preferred by the investors. CA Investors have given first preference to tax saving schemes whereas other investors have given preferences to above mentioned avenues

6. RELATIONSHIP BETWEEN THE INCOME AND PREFERENCES OF INVESTMENT

In order to test the relationship between income and preferences of investments below mentioned table has produced.

Hypothesis: There is no significant relationship between income of individual and the preference of investment.

Income →	Upto 400000	400000- 600000	600000- 800000	800000 & above
↓ Investment option				
Stock Market	08	11	6	6
Bank Deposit	05	29	8	9
Real Estate	10	19	10	7
Mutual Fund	06	17	8	5
Insurance	14	18	5	7
Tax saving Scheme	08	17	5	4
Debt Market	00	1	1	00
Gold	12	21	5	7
Others	03	7	1	2
Total	66	140	48	47

ONE WAY ANOVA
Table-6.1

Sources of Variation	SS	d.f	MS	F-ratio	5 % F-Limit (from F Table)
Between Sample	747	(4-1) =3	747/3=249	249/25=9.96	F(3,32)= Between 2.92 to 2.84
Within sample	810	(36-4)=32	810/32=25		
Total	1557				

The above table shows that the calculated value of F is 9.96 which is more than table value it lies between 2.92 to 2.84 at 5% level with d.f being $v_1=3$ and $v_2=32$. This analysis rejects the null hypothesis that there is no relation between income and preferences of Investment avenues.

RELATIONSHIP BETWEEN OCCUPATION AND PREFERENCE OF INVESTMENT

In order to analyse the relationship between occupation and preferences of investment, Anova method has been applied. Table no. 5.6 shows the details of occupation and preferences of investment.

Hypothesis: There is no significance relationship between occupation and preferences of investments.

Investment Option	Occupation					
	Engineer	Doctor	Professor	CA	Professionals in private companies	Professionals in Govt. sector
Stock Market	9	10	11	10	13	4
Bank Deposit	12	16	15	14	15	22
Real Estate	12	15	8	13	19	16
Mutual Fund	2	9	5	11	4	9
Insurance	11	17	8	16	14	17
Tax saving Scheme	8	11	3	17	9	15
Debt Market	1	1	....	6	3	3
Gold	10	13	6	7	18	21
Others	5	2	1	2	6	5
Total	70	94	57	96	101	112
Total	70	94	57	96	101	112

**ONE WAY ANOVA
TABLE-6.2**

Sources of Variation	SS	d.f	MS	F-ratio	5 % F-Limit (from F Table)
Between Sample	234	(6-1) =5	234/5=46.80	46.80/30= 1.56	F(5,49)= Between 2.45 to 2.37
Within sample	1441	(54-6)=48	1441/48= 30		
Total	1675				

The above table shows that the calculated value of F is 1.56 which is less than table value it lies between 2.45 to 2.37 at 5% level with d.f being $v_1= 5$ and $v_2=48$. This analysis accepts the null hypothesis that there is no relation between Occupation and preferences of Investment avenues.

7. CONCLUSION

From the above study researcher can conclude that having a professional degree does not leads to make balanced portfolio. Investors mostly preferred to invest in traditional investment avenues with low risk. Safety, security and liquidity are most important factors which are considered while doing investments. Modern investment is less preferred by individual investors as it has high risk.

8. SUGGESTIONS

- Investors should take into consideration new investment options for investment.
- Youngsters should think to invest in risk bearing security as they have good risk appetite.
- Professional investors should make a good investment portfolio as per their income and risk bearing capacity.
- SEBI should organise seminars and lectures on share market so that young investors will be benefited and will be attracted.
- To enhance the saving habits of investors, the saving mode should attract the investors by providing new schemes and offers.

9. REFERENCES

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