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AN ECPLORATORY STUDY ON SOURCES & PRACTICES ADOPTED BY INDIVIDUALS FOR INVESTING

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Abstract:
This study relates to the investment decisions regarding individual investors which include salary earners, businessmen, professionals and pensioners. The study has covered 100 individual respondents of Solapur City which include all the above categories. Data has been collected through questionnaires using random sampling method. This study explores the investment decisions about investment avenues and motives of making investment. The present study is an attempt to find out factors which affects individual investment decision and differences in the perception of investors in the decision of investing on basis of age, gender, occupation, and income. The aim of the research is to investigate the perceived investment risk of individual investors and expected return on their investment. This study analyzes the preferences towards various forms of investment and discloses that individual's first choice goes for investment in Gold, where last choice is investment in commodities due to lack of awareness about commodity market. This study also analyzes the preference towards various motives of investment and discloses that individual's first and foremost motive is good return on investment followed by security of investment. The study has thrown light on various aspects related to the investment and brings out various characteristics relating to investment behavior. The conclusions given by the researcher are definitely useful for developing maturity in the investment market and improving the investors' satisfaction and security. In particular conclusions are useful for the organizations providing investment services to design their products based on the motives and perception of the prospective investors and for marketing, positioning and segmentation.

Keywords: *Exploratory, Investors, avenues, preferences*

Introduction:

Each and every individual can be specifically differentiated on various parameters. Their investment behavior depends on the various attributes. There are many factors that influence their investment behavior. Everyone has their own risk taking ability. Everyone has their own requirements. So, accordingly they take their investment decisions to provide for these requirements. Personal investment is affected by the level of knowledge that an individual investor possesses about different investment instruments. The knowledge of the relationship between risk and return along with the knowledge of industrial sectors, economic indicators, companies performance analysis techniques, portfolio management techniques, etc., affect the investment decisions of individuals. The sources of information regarding investment avenues also guide in the investment decisions. Tax liabilities of an individual and the effect of taxation on the income generated from investment along with its understanding too influence an individual's investment behavior. Security or safety is also a very important factor in investing.

If someone is going to invest their hard money then certainly he will expect good returns. The safety of the funds is invested usually the first priority of any investment and then the returns in proportion to the level of risk taken. One of the most important factors affecting personal investments is the availability of disposable funds. If the difference between net income and low expenditure then there will be limited amount available for investment.

Apart from all these factors invested money should be convertible into cash in the hour of need and this is an important factor which affects personal investments. Investment decision is the step-by-step procedure of developing an individual’s roadmap for his financial wellbeing. The inputs to the process of investment decision are Individual’s finances – individual’s income, assets and liabilities Individual’s goals – individual’s current and future financial needs Individual’s appetite for risk The output of investment decision is an individual’s financial plan that tells how to invest money to achieve goals, keeping in the mind risk appetite, inflation, real returns and taxes.

Basically dreams of owing a bigger car, house, exploring the world, giving their children best possible education, a blissful retirement life are individual’s life goals. And individual surely needs money to achieve them and whenever they talk about money, there is always talk of inflation. Inflation is the rate at which the cost of goods and services rise. Simply put if inflation goes up, individual’s purchasing power decreases. Thus to fight inflation, the key is to invest in a product which gives higher rate return than inflation, and ultimately leaves individual with surplus to meet his goals .

While investing the money the individual may keep in the mind the real product, its returns and its fundamentals or the advertisement or the suggestions by friends and relatives. Investing in various investment avenues, requires an individual to spend a lot of time in understanding the features of the product. This study will help individual to avoid making costly mistake.

As it is said “Do not put all your eggs in the same basket.”, similarly individual should avoid investing all his saving in a single investment option. By spreading saving in across various investment options, individual can reduce his risk and can get maximum benefit.

The decision that individual take today, will shape tomorrow. While managing money, individual have to follow certain golden rules. This will help individual gain better control of his finances and also help to lead a financially secure life. A well- planned investment strategy is essential before having any investment decisions. As the returns on investment are not always clear, so the investors prepare the strategy so as to face the ongoing challenges in investment. A balanced investment strategy is generally required in the process of investment, which possesses long time period and some risk tolerance. In case, when a strategy is aggressive the chance of attaining a higher goal is advanced. This research study depends on the investment habits and logics of the individuals, the basis of their decisions, their expectations and their outlooks. It also studies the extent of research, portfolio management, analysis applied by the individuals. It will finally suggest the way forward for individual investors**.**

Review of Literature:

Sarnat and Levy ’ (1970), were earliest to point to the faction that, according to the broadly accepted CAPM model, investors should diversify globally to the greater extent. Investors have a predisposition to prefer investments into the stocks of their motherland instead of international diversification in large scale. Since then, the resulting home unfairness puzzle was shown by many observations, and Rummer& Wendt, Oehler (2008) and Lewis (1999).

Lewellen (1977), examines the investment preferences and behavior of the individual investors and found that age, gender, earnings and culture affect investors' preferences. Study by Rajarajan (2000) revealed a relationship between lifestyle clusters and investment related distinctiveness. Bandgar (1998) in his study found that investors are knowledgeable in investment policy making and decisions.

Amos Tversky and Daniel Kahneman 1979, investigated about different criteria's regarding decision making of investor through different experiments. In their research work, they were paying concentration on remedies which may be like by the individual investors and these remedies were not out of box solutions. They developed the vision theory to understand the rationality in behavior of investors. The vision theory argues that investors show risk aversion in situation of gains and risk seeking in the losses.

John Train, 1980, "The Money Masters, New York; Harper & Row Publishers 1980, & 1989 in their research work , focused the investment policies of nine great investors. He describes the strategies of present day investment gurus. The book describe the methods followed by investment gurus such as Benjanam Kroll, Larry Tisch, Robert Wilson, Graham,Stanely, John Neff, Peter Lynch., Paul Cabot, Philip Fisher,

Srinivasan Barua and Srinivasan, 1986, they noticed that the risk awareness of individuals are considerably prejudiced by the skewness of the return distribution. This noticed that while taking investment decisions, investors are concerned about the variability of returns in addition to the possibility of maximum losses. Thus the mean variance model does not fully explain the investment behavior of individuals.

Statman, 1988, examines the investor's trade for basic and emotional reasons. Investors invest because they trust they have information and tips, but in fact it's all are noise and for joy and pride. Trading brings joy when decisions are in favor and brings reluctance when not in favor. Investors try to evade the pain of reluctance by evading the realization of losses and avoiding stock of companies with low profile.

Samuelson and Zeckhauser (1988) are related to the impact of evade option on choices. The status quo is related to loss aversion. Other explanations, such as anchoring, regret avoidance, the avoidance of cognitive dissonance, sunk costs, the desire for uniformity and the illusion of control, may contribute to the perseverance of the status quo bias and all this leads towards poor management of portfolio. The familiarity bias, poor diversification, inclination for stable returns and not making the proper adjustment in the portfolio with the arrival of new information and tips are the factors that result in less than optimal investment outcomes.

Objectives:

1. To study the nature and significance of various investment options.

2. To identify the motives of investment made by the individuals.

3. To analyze the sources & practices adopted by individuals for investing.

4. To evaluate various types of risks in investing various instruments.

Sample size:

The sample size consists of 100 respondents who invest their savings in various investment avenues.. The respondents are segregated on basis of different variables such as gender, age, income and occupation

Data Source

The Source of data would be primary and will be collected through questionnaires

Analysis:

Table No.1**- Age wise Distribution of salaried people**

Age Group	< 25 yrs	25-35 yrs	35-45 yrs	45-55 yrs	55 -65 yrs	Total
No of Respondents	20	17	23	25	15	100
Percentage	20	17	23	25	15	100

Source: primary data

It is observed that form table No.1, that on the basis of age respondents are categorized in four groups i.e. below 25 years, 25 to 35 years, 35 to 45 years, 45 to 55 years, 55 to 65 years. 15% respondents belongs first category (below 25 years), 17.5% respondents are from second category (25 to 35 years), 17% are from third category (35 to 45 years) , 23% respondents are from fourth category (45 years to 55 years) and remaining 15.%from fifth category (more than 55 year)

Table No.2- Distribution of salaried people according to Marital Status

Marital Status	Married	Unmarried	Total
No of Respondents	68	32	100
Percentage	68	32	100

Source: primary data

It is observed from table No.2, that respondents are classified according to marital status that is married and unmarried respondents. Out of 40 respondents, 68 respondents are married and remaining 32 are unmarried

Table No.3- Annual Income wise Distribution of salaried people

Annual Income	Up to 4 Lac	4-8 Lac	8—12 Lac	> 12 Lac	Total
No of Respondents	17	23	36	24	100
Percentage	17	23	36	24	100

Source: primary data

Table No 3 shows that, Respondents are also classified on the basis of their annual income, in four categories. 7 (17.5%) respondents having annual income less than 4 lacs, 14 (36%) respondents having annual income in between 4 lacs to 8 lacs, 12 (30%) respondents having annual income in between 4 lacs to 8 lacs, 7 (17.5%) respondents having annual income more than 12 lacs.

Table No.4- Distribution of salaried people according to their Decision making ability

Investment Decision ability	Yes	No	Total
No of Respondents	63	37	100
Percentage	63	37	100

Source: primary data

Table No 4.reveals respondent's decision making ability. 63% respondents are taking investment decision for themselves and remaining 37% respondents are depend on others for their investment.

Table No.5- Sources which help Respondent for their investment decision

Sources	News Paper And Magazines	Friends and Relatives	Advertisement	Financial Advisors/ Consultants	Total
No of Respondents	28	35	12	25	100
Percentage	28	35	12	25	100

Source: primary data

Table No 5 shows Sources which help Respondent for their investment decision..35% respondents says that because of family members and friend they are investing in proper investment avenues. Financial advisors and consultants are also important sources for investors.

Majority of the respondents have considered investment in gold as their best preference, with the exception of respondents amongst the age group of 55- 65 years, female respondents and respondents having income less than one lac and between four lacs to six lacs. The second best preferred investment avenue, based upon the primary data collected by the researcher, is Bank Fixed Deposits. Most importantly respondents amongst the age group of 55-65 years, female respondents and respondents having income less than one lac and between four lacs to six lacs have considered Bank Fixed Deposits as their first choice. All categories of respondents irrespective of their age, gender, occupation, income slab have given last preference to commodities and private lending respectively. The other avenues of investment preferred by the respondents are Insurance, Real Estate, Provident Fund, Shares and Mutual Funds respectively. Out of total 100 respondents maximum respondents are investing their money on the suggestions and information obtained from friends and relatives. 20 % respondents are investing their resources on the basis of news. Out of respondents having no experience of investment and respondents having moderate experience 52.83% are making their investments on the basis of advice given by their friends and relatives. respondents having experience of investment and knowledgeable respondents, (37.12%) respondents are making their investments on the basis of news. out of the remaining respondents invest their money on the basis of advertisement through various media. some respondents are motivated by agents whereas respondents taking the advice from their consultant for investing their idle income.

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