Abstract

AN EVIDENCE BASED INVESTIGATION OF INDIVIDUAL PORTFOLIO DECISION MAKING IN INDIAN PERSPECTIVE

K. Senthil Kumar

Dr. C. Vijaya Banu, Ph.D

Introduction

The people who save money with a high confidence level mainly characterize India. The success of investment prospects always depends on the prediction of a country's economy. Due to the reforms in the global trade like globalization, liberalization, the investors find good opportunities to invest in consumer goods, pharma products, infra companies, energy, information technology firms and modern farming. The average age of India is twenty-five years and the working population may go up to 2.4 billion in the year 2030. In India, the population has a good working culture, highly educated democratic, good communication and with high entrepreneurship. The above factors will make India to lead the global market in the next 20 years.

The amount of money earned is partially spent and the balance is saved for our life time needs. Instead of parking the savings ideally, the saved money is used to make further profit out of the saved money in the future, and this process is called as Investment. In other words, Investment is ‘the action of practicing with cash or capital in an attempt with some expectation of deriving profit out of it’.
Uniqueness of the study

The present study on individual portfolio decision making in Indian perspective includes a range of distinct exclusive features. The study covers both the rural and urban places. So the outcome of the study reflects the entire district. It has nearly all-common investment products that the individuals usually invest. The study has been done across the gender, almost all professionals, business class, self-employed and especially the retired. The study has also been done on the information sources or channels through which the individuals will decide their investment on a particular investment product. The study has also covered the effect of individual’s personality on their investment decisions. The switching behavior of the individual if any between the various investment products has also been studied. The essential characteristic of an investment product has been analyzed on the entire product under study and any reasons for the dispossession has also been analyzed. The satisfying and dissatisfying factors for an investor on his investment have also been studied.

Scope of the study

The study covers the investment products like Post office savings scheme, Bank deposits, Mutual fund, Shares, Gold, and Real estate.

Objectives of the study

The main objectives of the study are to determine the behavior of individual investors based on socio-economic dimension, to predict statistically the investment preferences of individual investors using product features, to understand the level of
satisfaction towards investor investment decisions, to study the significance and the role of financial literacy and sources of information in individual investment decisions, to study and compare the opinion of financial experts with individual investors towards individual investment decisions using analytical hierarchy process and Fuzzy multi criteria decision making and to suggest suitable recommendation for investment decisions based on the study.

**Sampling design and data collection**

The survey was conducted in both rural and urban paces of Tiruchirappalli district. To conduct the survey in the urban place, the respondents for the survey were picked from the professional taxpayer’s register of Trichirapalli Corporation. The questionnaires were mailed to the addresses of the professional taxpayers provided by the respective local administration office along with a stamped self addressed cover. The filled in questionnaires were received through the self-addressed cover. As per the sample size fixed for the places, about 559 questionnaires and 153 questionnaires were dispatched for the urban and rural place respectively. Of which 337 from urban and 132 from rural area were received. Therefore, the total sample size of 469 is arrived with 66% as response rate. To study and compare the opinion of financial experts and investors, nine financial experts were chosen at random and a questionnaire was given and the responses were summarized using Fuzzy model. Similarly to study the opinion of the individual investors, the respondents were chosen from the tax payer’s register of the local administration office. Stratified random sampling method was used to select the respondents. The respondents were invited through invitation before 15 days in advance for a group discussion in front of the local administration office followed by filling up of
a questionnaire which had only linguistic terms. Before opening the group discussion the respondents were explained the need and actual topic of the group discussion. In every place, the group was told to select a group head, so the leader can reflect the consensus on a questionnaire provided to them.

Inferential models and tools used

The data collected is analyzed with the help of the statistical tools like ANOVA single factor, weighted ANOVA and chi-square test. The software used for the analysis is SPSS package and MS Excel. Investment product preferences of experts and the investors were analyzed using analytical hierarchy process and fuzzy multi criteria decision-making model.

Results, observations and analysis

From the study it is clear that the respondents who are above the age of 30 years and capable of earning a fixed income were interested in the various avenues of investment. Nearly three-fifth of the respondents is female. This shows that Indian women are more savings minded and they take the full responsibility of investing their family savings in different avenues. By applying Chi-square test, it is evident that the socio-economic factors namely, age, gender, educational qualification, occupation, annual income and place of residence do influence the type of investment avenues selected by them. Family plays a predominant role in the Indian culture. The respondents consider their age as the prime factor among the personal factors. Health is taken as second factor because the people have to take care of contingencies in health conditions of their own and family members. Following the age and health, responsibilities come as
a third factor, which is clubbed with the family commitments. This shows that our Indian society is always built based on love and affection bound with generations. Major life events like marriage, house construction, religious and cultural events influence the plan review as it affects the liquidity of the investment. The macro events like investment environment and economic events play a minor role in influencing the plan review.

The responsibility and the accountability imparted on the generations in the society makes the respondents to have the repayment of the debt as the foremost financial objective. The subsequent objective is the education of the children followed by the comfortable and contended retirement life. Meeting of emergency in case of health problems for the family members is also considered to be the main objective. This shows that Indian society is highly conservative and they want to be safe and secure throughout their life rather than securing speculative profits. The preferences made by the investors among the six avenues and the opinion of the experts are compared. The avenues are ranked in their order of importance based on security of principal, liquidity, stability of return, capital appreciation, inflation resistant factor, tax benefit and concealability. The result shows that the experts and the individual investors prefer the six investment avenues comparatively in same position.

The respondents feel that post office is easily accessible by themselves and with the help of agents. Flexibility of changing the scheme of the mutual fund and the professional management of Asset Management Companies tops the priority in selecting the mutual fund as the investment avenue by the respondents. The respondents are satisfied in investing in gold because its liquidity, appreciation in capital value and the gold can be transferred into any form of ornaments. The gold is also considered to be
symbol of pride and status of their family. The capital appreciation and the return on investment in the form of high dividend are most preferred factors in selecting the share as one of the investment avenue. The respondents in selecting the bank deposit as an investment avenue prefer prompt payment of interest and additional facilities offered by the banks for the deposits. The Indians are very much interested in investing in real estate because they feel contented if they live in an own house. Even if they own as an additional property, they feel that investing in a fixed asset is worthy and it earns a regular rental income.

The information supplied by the media and the authorized brokers facilitate the selection of the portfolio. A hypothesis has been set to study the relationship between the socio-economic factors and the level of literacy about various investment avenues and tested by way of chi-square test. Except the gender, there exists a relationship between the socio-economic factors and the level of financial literacy possessed by the respondents. By applying Fuzzy model it is observed that the nine financial experts have stated the following order of rank preference of the investment product: Post office; Bank deposit; Gold; Real estate; Equity investment and Mutual fund. Similarly the eight group leaders have the following order of rank preference of the financial experts Bank deposit, post office, real estate, gold, mutual fund and equity.

**Recommendations**

The respondents possess only medium level of literacy and it will better if they equip themselves through information provided through television, newspapers and the financial experts. The respondents should take the advice of financial experts into consideration as it is based on economical, financial and technical analysis for a balanced
portfolio decision making.

**Future scope for research**

The research can be extended for the individual decision making among inter-district in Tamilnadu. The model can be extended to Indian economy and even to global economy including other parameters like money value optimization using intelligent technique. Further estimation can also be done in addition to further forecasting with intelligent tools.

**Organization of thesis**

**Chapter 1:** Introduction and conceptual review

**Chapter 2:** Research Design

**Chapter 3:** Determinants of Empirical Investor behavior & Socio Economic Dimensions

**Chapter 4:** Statistical predictions of investment preferences using product features

**Chapter 5:** Investment product preferences of investors using analytical hierarchy process and fuzzy multi criteria decision-making.

**Chapter 6:** Major findings and Conclusion

**Conclusion:**

Financial literacy is the ability of the individual to make appropriate financial decisions personally. The ability includes understanding the investment products, financial concepts, discussing the financial problems, making choices between managing, spending and saving money and responding to the current reforms in financial market. The sophisticated financial markets offer continuously new investment products in the market. The increase in the level of financial literacy will also result in the financial inclusion which is the need of the present Indian economy. Apart from looking at the lucrative promises on return, the investor should analyse the basic function, mechanism
of the product and satisfy that the product has met the mandatory compliances. The investor should also self justify that his personal factors are weighed while investing in a investment product. It is also necessary for investors to know the risk associated with their investment avenue during the different phases of economic situation.

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Key words: Investment avenues, investment decisions, investors, socio-economic factors, personal factors.