Chapter 1: Introduction and conceptual review

1.1 Introduction

India can be characterized as having people, who save money. The people who save money with a high confidence level mainly characterize India. The future of investment decisions always depends on the economic prosperity of the country. In 2011, India had a GDP of US dollar 1.3 trillion and it had made the country as eighth largest in the world economy. Due to the reforms in the global trade like globalization, liberalization, the investors find good opportunities to invest in consumer goods, pharma products, infrastructure companies, energy, information technology firms and modern farming. The average age of India’s population is twenty five years and the working population may go up to 2.4 billion in the year 2030. Indian population has been considered to have good work culture and high level education. They are found to be democratic and possess good communication and entrepreneurial skills. The above factors have been advantageous and enabling 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, the saved money is used to make further profit out in the future, and this process is called as Investment. In other words, Bhalla V.K (1995) Investment is ‘the action of practicing with cash or capital in an attempt with some expectation of deriving profit out of it’.
Investment can also be said as a sacrifice of immediate desires for unsure benefits in the future. It also means us that this type of decision making is logical in nature. So, the investment decisions are a balance between risk and return. It should also be noted that investment in shares are reversible and the benefits are temporary or short lived. Since investment atmosphere is unstable, investors should from time to time reappraise and revaluate their numerous investment commitments within the lightweight of latest data, modified expectations and ends.

“Investment” or “investing, like “value” is a word of many interpretations. There are basically three concepts of investment (Bhalla V.K, 1995):

1. Economic investments – that is, an economist’s definition of investment
2. Investment in a more general or extended sense, which is used by “the man on the street”
3. The sense in which we are going to be very much interested, namely financial investment.

Investment sometimes involves pumping of cash into an asset not essentially marketable within the short run but however the investment is done, so as to earn from the investment in close to future. Investments are sometimes created with the expectation that a definite stream of income or a definite value that has existed at the time of buying won't be modified at the expected future. The investor usually thinks that the market variations of the investment are of no interest to him as a result, he is shopping solely for income.

There are various ways for creating an investment. Investment includes pumping of cash in shares, government securities, mutual funds or in real estate (still there are several other avenues) or venturing into a business. So, the above alternative form of investments
is called “Investment Vehicles”. But these investment vehicles have their own pros and cons.

Crane et al. (1995) defined the activities of the financial system into functions according to their performance. Investing (or saving) contains two important core functions: first the moving of the money over a period of time and to contain personal future risks, so the investor involves in the risk management. In both the activity, by moving the money over a period of time, the investor reduces his present consumption so that he can have smooth consumption for the future, which might be essential for educating his child or for his retirement. To be safe from medical related expense, job loss it is essential for an individual to engage in investment to shield himself from the above risk.

Douglas E. Allen, Elton G. McGoun (2000) in his study states that engaging in investment is a risky venture as the predicted returns are not always reliable. Investing is always an emotional effort for an investor and this emotion is controlled only by the thorough experience. As the investor earns more experience, he will start to venture into new and risky products.

Every investor should understand that the basic problem of portfolio management is to establish an investment goal or objective and then decide how best to reach that goal with the securities available. This has been stated as an attempt by the investor to obtain the maximum return with minimum risk. Bogle, (1994) stated that the most pervasive advice offered by investment professionals is that individuals should have financial objective, plan and diversify their financial investment , irrespective of any individual
financial risk taking characteristics. Thaler and Bernartzi (2001), found individuals who postpone their financial plan and objective is because of procrastination, the tendency to postpone unpleasant tasks. This may be due to the fearing nature or phobia on finance.

The manner in which a portfolio’s objective is actually expressed should contain (1) communicate the portfolio owner’s major desire; (2) be easily understood by others who are involved in the portfolio’s management. In practice, objectives usually are related to achieving the greatest return for a given risk level. Ditcher (1960) finds the different ways how investors move towards his investment objective as time progress. This movement shows the desire to achieve goals that satisfy the needs of life. He argues that the investor will even hesitate to look at the risk of the investment while he is in the move. In order to do a proper job of portfolio management, the investor should know well about the investment process. The main steps involved in the process of proper investment decision are to plan, implement and to monitor it.

1.2 Personal conditions of the investor considered while investing

The most important personal conditions taken into consideration by the investor while deciding an investment are:

Age:

Ando.A and Modigliani. F (1963) studied the human investment behaviour. It states that the individual needs go on changing and also their consumption at various life stages. So their income, savings, expectation on investment also does change. Bovenberg, A. L., and Evans. O, (1990) state that, between 1950s and 1980s, the population over the age of sixty-five in the United States resulted in the reduction of personal investment.
Raja Rajan, (1998) studied the life cycle of the investors and their investment pattern at the various stages of their life cycle. He found that the investment pattern changes as the age progresses. Older investors invest at higher rates, though this relationship also follows a “hump backed” curve, with investment rates lowest for the youngest and oldest households (Attanasio1994; and Bosworth, Burtless, and Sabelhaus1991). Bodie et al (1992) in their life cycle model suggests that young investors should invest in risky investment like shares, because they can make up on losses if any on the risky investments in their remaining useful part of life.

**Income:**

Individual’s investment and his asset holding pattern are very much determined by the personal income of the individual. Tin, J. (2000), had stated in his life cycle theory of savings that, during various stages of individual life, the following factors namely income, wealth, age, marital status, and other socio economic conditions of the investor determines his expenditure and investment behavior. The positive relationship between the savings rate and personal current income is well defined by the studies of Friend and Schor (1959) and Projector (1968). This association was repeatedly confirmed in later studies done by Avery and Kennickell (1991), Browning and Lusardi (1996), and Hugget and Venture (1996). Projector and Weiss (1966) also confirmed the above with an inclusion that individuals with higher levels of personal income accumulated more wealth. Using data from the 1990s, Hurst, Luoh, and Stafford (1998) also confirmed the above relationship.

Economic theory defines personal investment as that part of disposable income that is not consumed (McConnell Brue, 1999: 178). Syama Sunder (1998) found that the two
important determinants in the selection of the fund is age and income. Raja Rajan, (1997) reported that the size of the investment of the investor is determined by the contribution of his income to his investment. Matin, (2002) argued and proved that systematic investment model is only possible through the fixed contribution of income towards investment. Clotfelter and Cook (1989) found that people with low income spent higher proportion on risky investments than people with high income of their income.

**Health conditions:**

After analyzing the data of consumer finance, in the year 1996, Starr-McCluer (1996) found that medical related spending or the health condition of older age people does not affect or lower their personal investment. Contrary to StarrMcCluer, Lusardi (1998) found that people between the ages of 51 – 61 years have very low proportion of investment compared to their income. He also found that medical related expenses are a major factor affecting their investment behavior.

**Family responsibilities:**

Family responsibilities include the investor’s marital status and the number of dependents in his family. Leff, N. H, (1969) in his study on life cycle, reports that the investment pattern of an individual greatly depends on the birth of a child in a family. Roszkowski, Snelbecker, &Leimberg, (1993) found in their studies that single investor are not risk averse than those having dependents.

**Attitudes towards Risk:**

Grable & Layton R.H (1998) study says that an individual’s risk tolerance ability is likely to influence the ability of one’s investment goals. Blume & Friend (1975) on
analyzing the data released by the Federal Reserve Board found that individuals always maintain their extent of risk aversion by having a constant proportion of risk and risk free investments. Elton, E.J & Guber, M.J, (1989) concluded that risk taking nature and expected returns affect the investment behaviour of the investor. Schooley and Worden (1996) used expected utility based model to show that portfolio allocations are almost a reliable indicator exhibiting an individual investors risk taking nature and his attitude towards the same. Moreover he found a relationship between holding of risky assets and demographic profile of an individual. Review of the studies done using U.S consumer finance data, in 2001, Grable and Lytton found that age, education, wealth, gender, ethnic background, dependents influence the risk tolerance of an individual. In 1997, Hanna and chen found that willingness to take risk greatly depends on the risk tolerance nature of an individual.

**Personal liquidity:**

A significant assumption of the life cycle model is that individuals face no liquidity constraints: they are freely able to lend and borrow, and the interest rate at which they are able to borrow is the same as the interest rate at which they can lend. In reality, individuals are liquidity constrained, and this is particularly true in developing countries (Deaton, 1991). In 2002, Van Eaton and Conover, after detailed investigation in their studies found that the financial position of an individual is largely determined by his personal liquidity, the tenure the investor stays in the product, income and and the combination of assets in his portfolio. In 2002, Gollier in his study had concluded that individuals with limited liquidity had parked their investment in short duration product and they had a sustained risk aversion.
During the planning phase the investor should take note of the mechanism of the product and various level of risk associated with an investment product. This can be understood by reading various literatures. Essential characteristics of an investment product are discussed in the following paragraphs.

1.3 Features of an investment product

While selecting an investment product, the investor should have a clear understanding about the features of the investment product that he is about to possess in his portfolio. Holt, D. B. (1995) in his study found that different consumers can consume things in a variety of ways. So the product search is based on the ideal characteristics of the product which will suit their personal requirements. The features of a selected investment product should satisfy the investor’s objective and should provide the maximum benefits at all situations of the market. In 1982, the above concept was also stated by Hirschman. E. C, & Holbrook. The following are the suggested features as the ingredients from which many successful investors compound their selection policies.

Safety of principal

It implies protection against loss under reasonably likely conditions or variations. It calls for careful review of economic and industry trends before deciding types and/or timing of investments. Thus, it recognizes errors are unavoidable for which extensive diversification is suggested as an antidote. Madhusudan (1996) had indentified, the major factors taken into consideration by the investors in selecting an investment product are liquidity, capital appreciation and safety of principal. Lisbon, D., (1996) furthermore, found that when the investor came to know his money is safe i.e., (safety of principal)
from future impulse he will restrict his withdrawals; individuals are likely to make more investment in that particular avenue. Prial (1999) found most investors buy professionally managed funds. They will look for the promoters’ expertise, promoters’ technology; methods for how their money is going to be utilized and whether it will be safe and satisfy their requirement.

Those who are not familiar with the aggregate-defensive approach nevertheless often carry out the theory of hedging against inflation-deflation. The diversification can also be within the asset class like different companies stocks of same sector, different stocks of different sectors, according to the dividend or interest income dates. It should be noted that over diversification is always undesirable. By limiting the investment to a few products, the investor has an excellent opportunity to maintain knowledge of the circumstances surrounding each issue.

**Adequate Liquidity and collateral value**

The investment should be in such a manner that it can be sold in the market immediately for good cash in any units and this investment can be very well said as a liquid asset. The difference between reversibility and marketability is that reversibility is the process whereby the transaction is reversed or terminated while the marketability involves the sale of the investments in the market for cash. To meet emergencies, every investor must have a sound portfolio to be sure of the additional funds which may be needed for the business opportunities. To meet out this emergency the investor should maintain a portfolio in such a manner it also contains easily saleable investment product. Wright (1999), Vonderlack and Schreiner (2001) and Matin (2002) in their study has cited that there are survey results that show clients indicate their desire on a savings plan
with a built-in illiquidity. So the products with illiquid characteristics are also selected by investor as to keep maintaining their commitment on savings.

**Stability of income**

Stability of income must be looked at in different ways as was security of principle. It is essential for an investor that the investment product ensures him both uniform returns and is resistant towards prevailing inflation. If regular monetary income is stressed, capital growth and diversification will be limited. In 1998, Harlis.D.E & Peterson S.P, found that return on the investment is a predominant factor than risk and transaction cost in selecting an investment product. Similarly studies done in 1998 by Alexander’s, Jones.J.D & Nigro.P.J, showed that the investors with high income switched between different investment products in an expectation to earn more returns and they were least bothered of the transaction cost. Frankfurter, G. M, & Lane, W. R (1992) found that the major factor in selecting a investment product is the rate of return from that product. Similarly, the dividends will influence the investor to hold a particular stock or sell it in the market. Moreover Frankfurter et al found that the extent of return from the investment will make the investor to decide the strategy to hold or shift from the investment avenue.

**Capital growth**

Solt and Statman, (1998) state that the investors always expect more benefit on investment products comparatively than any other product or at any state of the market. This states the investor’s expectation on the capital appreciation. Capital appreciation has today become an important principle. It is exceedingly difficult to make a successful choice. In a study on mutual funds conducted by T.R.Rajeswari, V.E. Rama Moorthy,
(2001) found that the safety of the investment is the predominant factor relative to capital appreciation, tax benefit, liquidity and maximum returns.

**Transaction cost**

In 1999, Jason Glazier, Kathryn Wilkens, concluded that switching between the investment products will result in enhanced transaction cost and decrease the performance of the portfolio. So, it is necessary for every investor to know the transaction cost before switching between products. Cook and Hebner, (1992/1993) found that expenses related to the investment will affect the investment preference of the investor on that particular product. The above was also concluded by Keith V. Smith, (1998) and Henderson, (1999). The above will contribute to the risk experienced by investors. Walker, M. M., & Hatfield, G. B. (1996) say that during times of market volatility the professional will advice to switch between investments to avoid losses. This, however, may not be possible if the investor implements the suggestions, the transaction cost for switching will increase and the return decreases.

**Tax Benefit**

In an investment decision the investor has to analyze his tax status else the actual return benefits from the investment will be a reduced one. If the above is not adhered then the investor has to experience less return and other tax burden from his investment. Reichenstein, W, (1998) find that the impact of tax on return before or after the gain from investment will influence the retirement wealth of an individual.
Inflation

The return on the investment for an investor largely depends on the inflation. The investment objective of the investor is meaningless without taking inflation into account. The investor should always look for an investment that takes care of future need of funds and inflation. Bovenberg, A. L, and Evans. O, (1990) analyzed the personal investments and found that a decreased investment behavior in 1980s due to a decreased inflation. Patel.J, Zeekhauser.R & Hendricks.D (1992) say the investors can beat his own country’s inflation through diversifying his risk by investing in other national stocks or foreign mutual fund. Judson W. Russell, Robert Brooks (1998) suggest that inflation-indexed or protected securities be included in an asset allocation decision of the individual for inflation management.

Concealing ability

The investment products should be safeguarded in an easy manner. They should not be seized by the government or transferred into the unsocial elements during the time of riots or law and order problem. Even the income from the investment or its sale should escape the tax net of regulator. Moreover gold and valuable stones are preferred for their high worth, even in small quantities.

Time horizon of the investment product

The time horizon of an investment product is a major factor in individual investment decisions. The time horizon varies for different investment product the investor chooses. In 1969, Samuelson found that the time horizon of an investment product will not affect the investment decision of an individual. Similar studies
conducted by Samuelson (1989, 1990, and 1994) and Kritzman (1994) found that regardless of the time horizon of an investment product, the investor should select the products based on his risk taking nature. Schooley (1999) found that the investment of individual in U.S has a matching pattern between the time horizon and their risk taking ability. He also found that the risk averse Investors had investment products of shorter time horizon of less than a year while risk taking investors had investment product of long term horizon.

Olsen and Khaki (1998) and Bierman (1998) had found that change in the investment pattern happens with a change in his personal investment horizon. Bogle, (1994) advises a thumb rule that each investor should hold equity in such a manner the percent of equity is the difference between hundred and the age of the investors.

1.4 Other relevant factors:

Sherraden and Barr (2005) highlighted the investors concern on customer service as access to their investment like making a follow up on its status, grievances addressable on their savings, fulfillment of expectations, unnecessary restrictions regarding the prior closing of their investment, and safety of their investment.

The investor should know his personal risk tolerance level or the maximum loss that he can able to withstand. There should be a formula so that a prior preparedness mechanism is ensured to face any emergency crisis in future. So, after the above steps the investor will be able to determine his investment horizon and the level of risk he can tolerate.
**Individual investor and risk**

Droms (1987) found that the attitude of the investor towards his investment plays an important role between the fund management entity and the investing community. Based on the risk tolerance of the investor the portfolio composition should be in such a manner that the risk and return is in an optimum mode.

In 2000, Kiefer had studied the risk experience of Individuals and found that various factors that were classified as risk by investors are, investing in other than profit making avenues, focus only on negative returns, high expectation from the investment than the realistic return, poor cash flow from the investment, short fall of not reaching the investment goal and failing expectation of return on the investment.

Campbell & Viceira, (2001) state that apart from the changes associated with life cycle stage of the investor, risk aversion also has implications on the formation of an optimal portfolio for the investor. Malkiel (1996) had stated that individual investors risk tolerance is a reflection of their attitude and the capability to take risk. Moreover he states that the attitude towards the risk of an individual is of subjective in nature and his risk taking ability can be calculated by the stage of his life.

In 1993, Plous studied the factors that determine the willingness of taking risk by the investor during his investment decision. He found the major factors like risk aversion, age, and dependents. Moreover he found prevailing economic condition and share market price movement had role in the investors risk taking ability.
In 1996, Gary.V Engelhard, found that, when the investor faces difficult time with his income on investment, to have a maximum return he will venture into high risk category investment products.

In 2005, Chhabra found that the job loss of an individual and poor market trend will increase a person’s risk aversion while investing in an investment product. Similarly the risk aversion will be low during his high income and low before his retirement.

**Market condition:**

while analyzing the market condition the investor should look for the various parameters of the market namely stock exchange index, growth prospectus of the economy, industrial output and other economic variables especially inflation which was discussed earlier. After studying the above, the investor should make a projection of the economy and can have a separate projections or expectations on long term and short term period of time. Kahneman.D & Tversky.A. (1979) states people can take choice in the investment product when there is a fall of risk in an uncertain economy.

**Investment Policies:**

In 2003, Reilly found four major decisions involved in constructing a portfolio. He had stated that the investor should predetermine the assets to be included in his portfolio, the ratio of each asset, specifying range of investment in each asset, clear in selection of specific shares, bonds etc., and the above decision making process while allocating the investment is called as asset allocation.

In 1990, Brimson, et al had found that investment of money to the asset category is more important than indentifying the products within the individual asset
class. In 1991, Brimson and Ibbotson (2000), had found that good returns were felt by investors due to well disciplined asset allocation style.

The selection of asset of individual investor will be influenced by investment consultants, agencies and their banks. The main condition for a good financial plan is to analyze personal financial position. According to Huber and Kaiser in 2003, suggests that life stage of an individual risk taking capacity financial objective and liquidity position should be studied before allocating his investments.

In 1998, Chan had classified asset allocation as Strategic asset allocation, Tactical asset allocation and Portfolio rebalancing.

1.5 Collective influence on the investment decision:

Investor’s emotion and psychology are important area of behavioral finance research in individual investment decision. Apart from the above the individual’s environment will affect his emotions and will impact his investment decision. In 1995 Ellison and Fundenberg had found that, while individuals talk on issues to get information on a particular product and also find the emotions of others from the conversation. Similarly in 1992, Bannerjee, found that bits of information obtained by the individual investor will lead to formation of an idea about an investment product. This may also result in investor herding.

The Media influence on the investment decision:

Media like newspapers, TV channels, Magazines will carry various analyses about investments. In 2002, Nofsinger found that the above write up and news will
influence the investor thoughts and make the investor to rely on other than original analysis. The media will focus on stories about investments and to draw the attention of the investment for a longer period.

Shiller in 2000 has defined the above as attention cascade moreover the above effect will lead the investor into a speculative bubble. In 1995 Ellison and Fudenberg found that when investors select a familiar investment product with partial information will result in efficient investment. In 2001 Hong, Kubik found that people who interact more with the society learn much about investment and they also have found that high interacting individual have more active participation in the investment environment.

**Role of internet on investment decision:**

In 2002, Barber and Odean, had found that the penetration of internet had influenced much in the investment decision of the individual. The interaction had helped the investors a lot to change their decisions. Online trading had increased through internet in late 1990s. And due to this online trader’s exhibit signs of overconfidence, such as more frequent trading. Making poor decisions should cause these online traders to experience lower returns. A way to test this conjecture is to compare the before and after behavior of investors who switched from a traditional discount brokerage to an online service. On conducting a study on 1670 online investors, in the year 2002, Barber and Odean found that the trading activities of those investors doubled and interestingly the selling decisions of the traders were very inferior.
Financial literacy and investment decision:

A study done in the year 2004, by jumpstart research organisation, found about 40 percent of Households in America live off 110 percent of their income. The low income individuals do not have any bank account and they pay more to encash. They borrow for very high rates of interests but at the same time the interest they earn is very low on their savings. So this low financial literacy had made many individuals to land in financial bankruptcy. Similarly the survey had found that the Americans could not understand the basic principles of finance, most of them were unaware of inflation, and they are annoyed at the calculation on investment and expenses. They also have found that about only 25 percent of the Americans were managing the personal finance well.

Braunstein and Welch in the year 2002, found that due to growing of more complicated approaches in the financial market, the common investor at times losses his interest in investment and stays away from risk. Financial condition of investors will improve only with the growth of financial knowledge. Anderson et al in the year 2004 found that the poor people, and low income investors will suffer from financial crisis. Even the tax benefits should be propagated and this can enhance the savings of individual (Duflo et al 2005)

Van Rooji et al. (2007) found that individuals with good financial knowledge had more wealth and had fair income from shares and they well planned for their retirement. Christelis et al (2010) finds that the knowledge in mathematics and analytical skills can predict the investment knowledge of an investor. Ameriks (2003) and Lusardi and
Mitchell (2007) also confirmed of a link between financial literacy and investment decisions.

Huberman (2001), found that individuals usually fail to diversify when they have poor familiarity, narrow thought about an investment product and usual loyalty to the product they invest. The same was also concluded by Lauren Cohean in 2009. Some researchers find that those who completed university or college degree are more likely to be financially knowledgeable than those with low education level (Cole et al. (2008), Worthington (2004), Lusardi and Mitchell (2006, 2008), Almenberg and Save-Saderbergh (2011), Guiso and Jappelli (2005), Alexander et al. (1998)). In addition to that Mandell (2004, 2008) has shown that the correlation between literacy and education is present at the early stages of lifecycle.

Occupation is another determinant of financial literacy that was found to be significant by many researchers. Worthington (2004) discovers that among Australian professionals, executives, business or farm owners display the highest level of financial literacy, while unemployed and non-working perform the worst; this is similar with the findings of Almenberg and Save-Oderbergh (2011) for Sweden. Monticone (2010) observes that in Italy white-collar workers, managers and self employed are the most literate population groups. Cole et al. (2008) shows that people in Indonesia who own a non-farm enterprise are more likely to be financially literate.

Cole et al (2008) found that people belonging to rural places were having low financial literacy. Similarly Guiso and Jappelli in 2003 found that the awareness of share
market were more with the people who interact more with society or the residence where they live.

1.6 Profile of investment avenues

Gold

In India the tradition of using jewellery dates back to 5000 years. The ancient jewelers were highly skilled such that they made ornaments of all designs. As the females do not inherit any property, they were gifted with golden ornaments during their marriage. The jewelry was regarded as a social status and security. The holding of gold in an individual portfolio ensures to diminish the risk of other investment products. Due to consistent increase in the price of gold, the buying of gold in the form of bars and coins has increased among the common people.

Post Office

The post offices which are run and managed by the department of posts, Government of India, have their presence in all part of the country. Apart from doing postal service they also provide investment opportunities for the common man. The post office savings schemes are introduced to promote safety, security and investment option to the common man. Moreover the collected money is used for various developmental works of the government. The post office operate the followings schemes namely post office savings account, time deposit account, recurring deposit account, monthly income schemes, public provident fund and other various savings certificates.

Shares

The share market can be classified into capital and money markets.
Money Market:

This is the market for debt instruments and their duration is of short term in nature. Treasury bills or T – Bills are familiar in this category.

Capital market:

Long term debt instruments and equity shares are issued and traded in this market, the stock exchange and private placement will come under capital market. After the issue of shares during the initial public offering, the shares are traded in the stock exchanges called secondary market. Both equity and debt instruments are traded in the secondary market.

Banks

One among the main functions of a bank is to keep safely, the money collected from the public. As the money collected earns interest by way of lending by the bank, this interest income is shared by the bank with the depositor. The rate of interest is proportional to the term of the deposit. The banks have very good presence in all part of the country they are monitored and regulated by the Reserve Bank of India. Some of the products offered by the banks are Savings account, current account and various types of term deposits.

Mutual funds

The investment of money to create a corpus and to share the risk on the outcome of the corpus with other individual is a unique characteristic of mutual fund. In simple words, the mutual fund is a pool of money formed by many individuals to create a portfolio in shares, bonds or any. The corpus fund is managed by a manager called fund manager. The fund manager accounts all the expenses related to the fund and decide the
investment of fund across industry sector and according to the nature of the fund formed. By investing in mutual fund, the investor has an ownership advantage of all industry in a particular sector. The transparency in disclosing the net asset value on a daily basis and informing the transaction cost are reasons for the investor to be comfortable with the mutual fund investment.

**Real estate**

In recent years buying of land and buildings has gained much importance across various countries due to the growth of urbanization, industrialization, growing income of middle class families. Real estate business gives more capital appreciation compared with the other investments. Due to the expansion of city limits, the demand for land and building has increased and this ensures good regular income for the investor. While purchasing a property the investor can register his name and entitled as an owner with an authenticated government document. Moreover the investor can sell the property by way of sale deed and similarly transfer his property to his legal heirs by way of executing a will.

**1.7 Profile of Trichirappalli**

Tiruchirappalli is strategically located at the centre of Tamilnadu. It is the third largest city in Tamilnadu, and is well connected by road, rail and by air with the rest of the country. Tiruchirappalli is familiar for the presence of temples and prominent public sector companies like BHEL. As Tiruchirappalli lies in the bank of river Cavery, the rural part of Tiruchirappalli engages in farming activity. Tiruchirappalli district contains two municipalities, fourteen panchayats unions, 18 town panchayats and 428 village panchayats. Apart from the above, Tiruchirappalli the head quarters of the district, is a
municipal corporation comprising of four zones. The population of Tiruchirappalli has a mix of people of all occupation. The educational literacy rate of Tiruchirappalli district is very fair, due to the presence of a good number of educational institutions. Almost all prominent banks, financial institutions, financial consultants are spread across the district.

In this chapter, the topics studied were the investment and its types, various concepts of investment, review of literature pertaining to personal factors, which affect the investment decisions of individual investors, review of literature on investment product, profile of the product and place of the study. Next chapter deals with the research design for the study.