SAVING AND INVESTMENT FACTORS
LITERATURE REVIEW

This section attempts to review the empirical findings of relevant studies which were analyzed from different angles, related to the areas of savings and investment preference of rural and urban households. The reviews cover the different income size group of households, cause for the changes in household income and their relative share in their family income, factors influencing consumption behavior and the income elasticity of consumption, pattern on financial savings and savings in the form of physical assets, variation of investment preference in rural and urban households and demographic factor on savings and investment.

2.1 To assess the saving habits of the household respondents.

Dusenberry (1949)\textsuperscript{14} has examined that the saving rate depends not only on the level of income but also on the relative position of the individual on the income scale and the saving rate is dependent on the ratio of the current income to the peak level income previously reached.

The National Council of Applied Economic Research (1961)\textsuperscript{15} study has examined the saving in India found the individuals savings in real assets to be dominating during the period 1948-51 to 1951-56. The (1962)\textsuperscript{16} study found that the payment to provident funds to be the most frequent form of savings, followed by liquid assets, own houses, life insurance, gold and Jewellery, etc, among the urban households.


The National Council of Applied Economic Research (1962)\textsuperscript{17} has stated that the various items of physical investment include housing and building, fixed farm investment, fixed business investment, changes in inventories, changes in livestock and consumer durables. The most important item of investment is housing which at the aggregate level accounted for nearly one third of the total investment by the household, on an average during the past three years. Investment in agriculture was designed to cover various items like fencing, reclamation and orchards and plantation. The importance of livestock in rural economy hardly needs to be emphasized and no attention was paid under this head.

The NCAER survey (1964)\textsuperscript{18} has revealed that nearly 31 percent of the urban households preferred to investment their savings in business followed by housing, agricultural lands, bank deposits and small savings, and more than 50 percent of the households expressed a preference for investing their savings in physical assets. The proportion of households expressing a preference for financial assets was found to be on the increase, with the level of education and the important motivation for savings among the urban households were found to be protection against emergencies, provision for old age and children's education. The investment in securities was higher in case of managerial, administrative and executive people.

Shingary et al. (1970)\textsuperscript{19} have studied the Pattern of Income Distribution Savings and Expenditure in Rural Areas (Jabalpur and Parbhani districts) with 67 selected families. It was found that savings to be negative and the families resorted to borrowings to meet consumption expenditure.


Ruddar Dutt (1972)\(^2\) has noticed two phenomenon regarding savings and investment. First there is a competitive increase in non functional consumption on ceremonies like marriage etc, Secondly there is a race in the use of prestige articles and services which are rapidly becoming the indices of high living standards. The continuous rise in prices eroded whatever little savings the less well to do could make earlier. Thus, the growing inequality has acted in a two fold manner to act into the savings potential of the household sector.

An attempt has been made by Ganesh Kumar (1972)\(^2\) to study the long run impact of the fall in agricultural investment in agricultural sector and on the rest of the economy. The author has concluded that slow down of agricultural growth would lead to growing income inequality in rural areas.

Pandey and Viswanath Singh (1972)\(^2\) have studied the Pattern of Income Savings and Investment in Agriculture in Eastern Uttar Pradesh using 120 farmers. They observed the dissavings of the small farmers.

Gothaskar and Venkatachalam (1976)\(^2\) have analyzed the estimates of RBI regarding financial savings of household and central statistical organizations estimates of capital formation. In his analysis with respect to the personal disposable income, the ratio of gross financial savings of household has increased from 3.94 percent in 1960-1961 to 6.52 percent in 1975-1976. On the other hand, the ratio of liabilities has gone up from 1.03 percent to 1.61 percent during the same period. Whereas on the investment side, the ratio of net physical capital formation to personal disposable income went up from 3.50 percent to 6.45 percent that is consumer durables increased from 2.04 percent to 3.77 percent.

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The financial savings of households which constituted about 63 percent in the total savings in 1960-1961 increased its share to a little more than 69 percent in 1975-1976, while the share of liquid financial assets declined from about 29 percent in 1960-1961 to 26 percent in 1975-1976. They also found that investment in household durable goods has increased in a much faster rate as compared to the net physical capital formation of households.

**Choudhury (1977)**\(^{24}\) examining the results of the studies about the pattern of distribution of income, consumption and household assets in rural areas over the last decade, has arrived at a general conclusion that the assets holdings are much more unequally distributed. However, the results pointed out not only the extreme skews of the distribution but also their static nature in terms of the share of the different groups of the population. Thus, for the poorest and richest i.e. 10 percent of the population there is hardly any change in the share. But for the next two groups i.e. 20 percent of households at the top and bottom, share has apparently declined marginally at the lower end and increased at the upper end.

**Navin Chandra Joshi (1978)**\(^{25}\) in his article of savings in Indian economy has concluded that what Raul Prebishch found and recommended in the case of Latin American countries holds good for all developing countries including India and observed that the upper 5 percent of the population consumes 30 percent spent for average family, 15 times more than the average family group in the lowest 50 percent of the population. If this were reduced to 9 times, the rate of growth in per capita income would rise from 1 percent to 4 percent. This observation is suggestive of a policy by which a major quantum of savings should come from the richer classes of the society. Therefore, to launch a major campaign to Siphon, of extra income of people in both rural and urban sectors, the savings movement

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need to be transformed into a genuine people’s movement to boost up the national economy.

Nair (1978)\textsuperscript{26} has highlighted the findings from the RBI Report that, the rural and urban breakup of household savings for the year 1950-51 to 1962-63. The urban savings was estimated after deducting the rural savings obtained from the total household savings. The ratios of rural savings in agricultural income were 3.3 percent, 3.7 percent and 3.3 percent respectively for the year 1951-53, 1956-57 and 1961-62.

Jayaraman (1979)\textsuperscript{27} has attempted to find out the determinants of government savings and residual savings in his study on “Savings Behavior in Gujarat” and concluded that, only income is found to be a significant determinant of savings other than government savings. Multiple regressions had been used as an analytical tool in his study.

The NCAER (1980)\textsuperscript{28} study has found the average investment level to arise with an increase in the level of education of chief earner. The pattern of investment varied with the share of physical assets to the total and declined with the increase in levels of education. The share of financial assets in household investment declined as the households moved up in the wealth scale, more or less similar trends were noticed in both rural and urban areas.

Bal and Bal (1982)\textsuperscript{29} have noted that, income influencing number of demographic and other socio-economic factors such as type of tenancy, size of family etc, and among these factors the role and type of family, number of earners and educational level of head of the family are found to be significant. The results of the study indicate that the increase in savings was relatively more for the


\textsuperscript{28} NCAER, 1980, “Household Income and its Disposition”, New Delhi, National Council of Applied Economic Research

nuclear families, average savings increased with the number of earners in the family and the level of education showed significant effect on savings of these two years. The savings increased with the increase in the education level of the head of the farm family.

**Prem Vashistha and Rukmini (1982)**\(^{30}\) have shown that I) savings rate for rural and urban households is quite different and it is much higher (more than twice for the latter than for the former). II) Regional variations between the northern and southern states of India are quite significant, being much more sharp for urban households than for rural households. III) The savings rate in the form of human capital of the order of 6 percent to 7 percent which is significant magnitude. IV) The variations in savings rate of different occupational groups based on the major sources of income are quite significant irrespective of the sectoral (rural-urban) and regional (north-south) difference. V) The savings rate of the groups whose major source of income is non-farm business is higher than that of other groups. This is true with regard to rural as well as urban households.

**Ezekiel Hannan (1982)**\(^{31}\) has pointed out that an increase in the savings rate is necessary if the planned rate of growth of income is to be achieved. The capacity to save depends upon the per capita income level. Increasing the marginal savings ratio further can only hit the already pitiable low level of taxation and it will hit savings ratio too.

**Sharma (1983)**\(^{32}\) has examined that the trend of savings in rural areas where compared with its urban counterpart and discusses the policy measures to activities and their mobilization in productive channels. According to him, savings in rural areas may prefer a financial asset that is simple, convenient and easy, intelligible and that which can be easily, converted into money without any loss.

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\(^{31}\) Ezekiel Hannan, 1982, “Savings Ratio and Capital Intensity”, The Economic Time, Sep.10,

Singh and Gurpreet Singh (1986)\(^33\) have concluded that the average propensity to save among the farmers of India, especially in Punjab State has increased with the advent of green revolution. In all the cases, the Marginal Propensity to Save (MPS) out of transitory income came out to be greater than that of permanent income. They said that any abrupt increase in the income of the people creates opportunities for stepping up the rate of savings.

Paul Dawson (1989)\(^34\) has observed that, in general, where the income level of the villager has been increasing and consequently the savings potential also increases. Now there is a considerable mobilization of savings in villages. But considering the level of savings in villages, the investment level is comparatively low. Found that savings drain from rural centers to urban centers. There is a flight of capital from villages to cities and industrial centers, through the existing financial institutions. These institutions help mobilization of savings in villages. But they transfer their surplus fund to their branches in urban areas for profitable investment where there is much demand for their capital. The real tragedy is that the villagers save more but their savings are not used for the development of their regions. It is unfortunate that the poor villagers sacrifice, for the sake of the affluent urban society.

Mohan (1991)\(^35\), in his article entitled “Public Provident Fund and National Savings Schemes - A Comparative Study” has found out which of the different schemes mentioned above is more beneficial under different circumstances. He states that Public Provident Fund (PPF) and National Savings Schemes (NSS) 1987 are the two popular investment avenues which enjoy concession under Income Tax Act 1961. But both the schemes differ in a number of aspects including the rate of return offered. The findings of the study revealed that PPF is

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beneficial under certain circumstances and NSS in other circumstances but return from investment in both the schemes is more or less the same.

**Mukhi (1989)**\(^{36}\), in the article “National Savings Schemes- A Savings Grace” has assessed the tax benefits offered by the National Savings Certificates (NSC). The study reveals that National Savings Certificates have been one of the most popular tax savings instruments in the country. He has recommended that contractor and others who have to provide security while bidding for contracts finds it extremely convenient to buy National Savings Certificates and pledge these to the appropriate authorities while earning 12 percent on the pledged securities. He also concluded that the major attraction of National Savings Certificates is their simplicity. Even the average investor does not have to scratch his head to understand the scheme.

**Pandit’s (1991)**\(^{37}\) study on “The Growth and Structure of Savings in India” establishes a relationship between the savings and the factor affecting the savings of the household private, corporate and government sectors. The findings reveal the main factors affecting the savings rate in India are growth in income, sectoral and functional distribution of income and the increasing number of financial institutions.

**Nandal (1992)**\(^{38}\), in his study on “The Pattern of Income, Expenditure and Savings of Selected Demonstration Farm in Haryana”, has found negative savings income ratio, due to low income and high consumption or expenditure.

**Burney Nadeem and Khan Ashfaqe (1992)**\(^{39}\) have examined the effects of various socio-economic and demographic factors on household savings in

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Pakistan. The authors used primary data of total 16,580 households out of which 7,443 were urban and 9,104 were rural households. Data was taken from Household Integrated Economic Survey (HIES) from 1984-1985. Ordinary Least Square Method was employed as estimation technique. The study concluded that, income, earning status of household head, occupation of household head and age square of household head were found to be positively related and inverse of household income, dependency ratio, education levels of household head, employment status of household head, secondary earners in household and age of household were found to have negative relationship with households saving in urban as well as in rural Pakistan. It was also concluded that, value of Marginal Propensity to save was 0.22 in urban Pakistan and 0.37 in rural Pakistan.

Raju (1993)\textsuperscript{40}, in his study on “Households Sectors Savings in India” has pointed out that the amount of domestic sector, private corporate sector and government sector, during the year 1988-89, the gross household sector savings accounted about 81 percent of the gross domestic savings, while the share of private and public sector was only 9.7 percent and 9.3 percent respectively. Further, the household sector savings in the form of financial assets has increased from 8.6 percent in the year 1950-51 to about 42.5 percent in the year 1988-89, while the share of household sector savings in the form of physical assets has decreased from 91.4 percent in the year 1950-51 to about 57.5 percent in the year 1988-89.

Chandrasekar and Geetha (1996)\textsuperscript{41}, in their paper entitled “National Savings and Economic Growth” have confirmed that there was a strong association between a national savings rate and the rate of growth of per capita income. It was found that the gross savings rate was just 18.7 percent in 1986-87 but started increasing afterwards mainly because of household savings in 1994-95, the gross domestic savings reached an all times high level of 24.4 percent.


Rehman Hafeez et al. (2010)\textsuperscript{42} have investigated the determinants of households saving in Multan District of Pakistan. Data of 293 respondents were drawn through field survey in 2009-2010 by adopting stratified random sampling technique. Questions were asked directly to the head of households about their education level, family status, age, region of residence, assets, income etc. The sample contains information about rural and urban households. To observe households saving behavior in Pakistan especially in Multan District, they have practiced Multivariate regression model. The study analyzed the determinants of household savings based on data collected from Multan District through stratified random sampling technique in 2009-2010. They have found that their study supported life cycle hypothesis. Age has positive relationship and square of age is negatively related to household savings. Education of household head, children's educational expenditures, family size, liabilities, marital status and value of house are significantly and inversely affecting household savings.

Hoang Van Long and Mitsuyasu Yabe (2011)\textsuperscript{43} have made a research in the villages of China on the different affecting factors to household income between the Kinh and the Co Tu farm households in the buffer Zone of Bach Ma National Park, Vietnam. The linear regression models are employed to explain the effecting factors to household income of these two groups. The result shows that the size of the household, age, urban employment, garden, upland and credit affect significantly the household income. Research results indicate the following recommendations for policy implications I) The Co Tu households should lower their household size. II) They should access more to urban jobs to increase income for their household. In addition, III) The Co Tu should apply experiences from the Kinh to cultivate their land more efficiently. IV) The government should give more incentives for the Co Tu to access credit.


Issahaku Haruna (2011)\textsuperscript{44} has identified the age composition and assets which do not have a major effect on saving. The factors that make the household investment are occupation, expenditure, assets and saving. Any assessment or policy pertaining to finance and development by government, the private sector or financial institutions geared towards improving saving and investment in Nadowli must integrate these factors. Primary data were collected from the households of Nadowli. This paper conducted study on a micro-economic approach of estimating the determinants of financial saving and investment in one of the most underprivileged district capitals in Ghana and the Nadowli in the Nadowli District of the Upper West Region. Two separate compound linear regression models were fixed for saving and investment. The variables used saving, investment, household income, dependents, assets, educational status as the determinants of saving. The paper found that the age composition and assets do not have a significant effect on saving. The factors that constrain the household investment are occupation, expenditure, assets and saving. In view of the untold of saving and investment potentials in Nadowli, the government, financial and non-financial institutions and other corporate bodies have a part to play to obtain advantage of these potentials and opportunities.

Pandiyan and Aranganathan (2012)\textsuperscript{45} have narrated about the status of attitude of the salaried people on savings and investments and they are evaluated in this article. From the factor analysis of the opinion data, there are seven underlying dimensions of savings and investments, viz., “Secured Life”, “Avoiding investments in Private parties, Companies”, “Lack of guidelines to children about saving”, “Tough Task but good for future”, “Creation of Awareness about saving habit by Government”, “Savings Requires Experience” and “Wrong investment decision by many”. From descriptive analysis, it is found that, the respondents have the high status of attitude about all aspects except “Tough Task


but good for future” are high. Regarding “Tough Task but good for future”, the respondents are found with moderate attitude.

2.2 To review the awareness of investment opportunities of the respondents

Rajarajan (1999)\textsuperscript{46} has examined that, the individual investors occupy a prominent place in the economic development of a nation. Their savings pattern needs considerable attention. This article examines the relationship between the various stages in the life cycle of individual investors and their investment size and their investments in risky assets, on the basis of primary data collected from 450 individual investors. This study finds the existence of systematic relationship among them.

Shobhana and Jayalakshmi (2006)\textsuperscript{47} have studied on “Investors Awareness and Preferences of Investment” has examined the level of investors’ awareness regarding investment options and investment risks. The analysis revealed that investment in real estate/property is preferred by majority of the respondents. The second most preferred investment is bank deposits. Awareness about investment options and risks are high among old aged, highly educated and those who are professionals by occupation.

Shollapur and Kuchanu (2008)\textsuperscript{48} have studied that the investors hold different perceptions on liquidity, profitability, collateral quality, statutory protection, etc for various investment avenues. In addition, they fix their own priorities for their perceptions. The formation of perceptions stringers the investment process in its own way, often leading to unrealistic apprehensions, especially among the individual investors. This study attempts to measure the degree of investors’ agreeableness with the selected perceptions, as well as to trace


the gaps between their perceptions and the underlying realities. Failure to deal with these gaps tends to lead the investment client to a wrong direction. Hence, there is a need to help investors, develop a realistic perspective of the investment avenues and their attributes.

Tarak Paul and Sitesh Bajaj (2012) have carried a study with the objective of understanding the level of awareness and to see whether any association exists between the level of awareness about equity market and the demographic profile of existing equity investors. The study was conducted in Guwahati and a sample of 200 existing equity investors were taken for the study. Data collected have been analyzed and tested using Statistical Package for Social Science (SPSS). The study showed that most of the existing equity investors possess a moderate level of awareness about equity market. It is observed that gender and age of the existing equity and level of awareness about equity market are not significantly associated. However, there is a significant association between occupation and income and level of awareness about equity market. Thus, to investment in share market the retail investors are influenced by their occupation and income. In order that there should be mere number of investors there is a need for greater awareness. Awareness programs should be organized to promote equity market as on investment opportunity and to make people aware of its long term benefits. In this respect, broking houses need to play a major role and guide the investors in picking up the right shares at the right time.

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2.3 To find out the predominant investment preferences of investors

Somasundaram (1998)\textsuperscript{50} has found that bank deposits and chit funds were the best known mode of savings among the investors and the least known mode were Unit trust of India (UTI) schemes and plantation schemes. Attitudes of investors were highly positive and showed their intention to save for better future.

Gavinin et al. (1999)\textsuperscript{51} have found that social consideration, tax benefits and provision for old age were the reasons cited for saving in urban areas, whereas to provide for old age was the main reason in rural areas. Among the post office schemes, Indira Vikas Patra (IVP), Kisan Vikas Patra (KVP) and Post Office Recurring Deposit Account (PORD) were the most popular, in both urban and rural areas.

The Securities and Exchange Board of India (SEBI) and NCAER (2000)\textsuperscript{52} survey of Indian Investors’ has reported that safety and liquidity were the primary considerations which determined the choice of an asset. Ranked by an ascending order of risk perception, fixed deposit accounts in bank were considered very safe, followed by gold, fixed deposits on non-government companies, mutual funds, equity shares, and debentures. Households’ preference for instruments in which they commonly invested matched the risk perception. Bank deposits, which had an appeal across all income classes and tax-saving schemes, were preferred by middle-income and higher-income groups. There was a correlation between the income levels and investments of households in market-related securities.


\textsuperscript{52} SEBI-NCAER, 2000, “Survey of Indian Investors”, Mumbai
Karthikeyan (2001)\textsuperscript{53} has conducted a research on Small Investors’ Perception on Post Saving Schemes and found that there were significant difference between the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Schemes (NSS), and Deposit Scheme for Retired Employees (DSRE), and the overall score confirmed that the level of awareness among investors in the old age group was higher than in those of the young age group. No difference was observed between male and female investors except for the NSS and KVP. Out of the factors analyzed, necessities of life and tax benefits were the two major ones that influence the investors both in semi-urban and urban areas.

Geeth and Ramesh (2011)\textsuperscript{54} have stated that there are lot of investment choices and one must select the most appropriate one. The person dealing with the planning must know the various investment choices and how these can be chosen for the purpose of attaining the overall objectives. The details of making the investment along with the various ways in which the investment has to be maintained and managed. This study examined on people’s choice in investment avenues of Kurumbalur. Data were collected using structured questionnaires. The sample size of area is analyzed by tools selected for this study, and 210 respondents were randomly selected from the town. Data were analyzed using descriptive statistics and chi-square technique. In this analysis, it is found that both male and female respondents giving most preference to insurance, NSC, PPF, and Bank deposit etc., all age group, except those who are above 60 years of age give more preference for investing in insurance, post office savings, public provident and bank deposits. And the second more preferable investment avenue is gold, others, like equity, mutual funds and real estates. But the age group which is more than fifty one to sixty years gives more preference for investing in life Insurance.


Shun-Yao and Chyan Yang (2011)\textsuperscript{55}, in their study have contributed to the individual information on searching for investment choices in two ways. First, by extending the information search aspects to discuss heuristics reliance, this empirical study may enrich our understanding of individual risk-taking in investment choices. Second, this article takes one step forward in examining and moderating the role of income in a proposed model, to shed light on how income affects the effects of individual information on searching for investment choices. In addition, reporting on two dimensions of stocks/options and mutual funds investment, the findings thus show that information searches and income have dramatic effects on investment preference variation. Accordingly, implications for financial consultants and ethics issues are discussed as well.

Giridhari and Sathya (2011)\textsuperscript{56} have analyzed the investment preferences of different individuals. They discussed that people were irrational in their decision making about investment in securities. They make mistakes cognitively or emotionally in decision making. It happens due to various biases which are being discussed properly in the field of behavioral finance. It explains that investment decisions and risk tolerance of investors depend on age, sex, income, marital status, education, family background, occupation and also the environment on which people lived. The investors of urban areas were targeted for this research study. This research study also clearly shows that male investors are take more risk and are more active when compared to female investors. The different types of investors are also discussed in this study. Structured questionnaire and statements were used for conducting this research sample is 210. The results of the study showed that individuals invest to fulfill their needs and also for benefits like safety, tax benefits, high capital gains, liquidity, secured future and for future needs.


Bhardwaj Rajesh et al. (2011)\textsuperscript{57} have examined the “Analysis of Income and Savings Pattern of Government and Private Senior Secondary School Teachers”. The study concluded that the major source of income of Government teachers is salary while tuition fees for private teachers. Mostly, Government and private teachers both used Bank Deposits and Life Insurance for investing their savings. Government school teachers received more perks in comparison to private teachers. The main objective of savings of Government teachers is an emergency and security while for private teachers is children’s education and purchase of consumer durable.

Geetha and Ramesh (2012)\textsuperscript{58} have made an attempt to find out the significance of demographic factors of population such as gender, age, education, occupation, income, savings and family size, over several elements of investment decisions like priorities based on characteristics of investments, period of investment, reach of information source, frequency of investment and analytical abilities. The study was made by conducting a survey in Nagapattinam District of Tamilnadu, south India and the statistical inferences were deduced using computer software tools. The study reveals that the demographic factors have a significant influence over some of the investment decision elements and insignificant in other elements too. The study also discloses a general view of investors’ perception over various investment avenues. The study also elucidates a general view of the investors’ perception over various investment avenues. It reveals the very peculiar characteristic feature of Indian people on their choice of investment products. Normally, in any developing country, people invest more in financial assets rather than physical assets and in particular there will be more investment in shares and debentures. But in India, in the initial years after independence, people were mainly investing in physical assets than financial assets and now their choice is more or less equally distributed between physical and financial assets. The people


may not be interested to take risk, if that is the reason for not preferring capital market then they could prefer only insurance, post office saving securities which is risk free investments as well as gives more return than bank deposits.

**Parihar and Sharma (2012)**\(^{59}\) have studied on salaried persons investment preferences. In this paper it is discussed that today the investment decisions have become more complicated and difficult. The best option for salaried persons is that they invest in different investment options according to their preferences at low or high risk to keep their savings in capital gains. This study analyzes the impact of different demographic variables like age, gender, income and education of the salaried persons on investment decision. Instead of other factors like safety, liquidity, return, convenience and tax benefits are material for investment decisions. For this study, sample of 200 different demographic characteristics of salaried persons were selected in Agra. The data is collected through a questionnaire. The findings of the study described that, salaried persons prefer the secured investments because of fear of loss on small income. Demographic factors influenced on the investment decisions.

**Sanjay Kanti Das (2012)**\(^{60}\), in his paper, has made an effort to study the investment habit and preferred investment avenues of the households. His study examined the investment attitude, their preferences and knowledge about capital market institutions and instruments. The study revealed that in most cases investors of all categories found, to be safer with taking up the insurance policies. It was also observed that most of the respondents show their keen interest towards the insurance products so as to get tax benefits, life protection and average profitable investment avenues. Further, it is observed that the level of income also influences their investment decisions. Higher income group showed relatively high preference towards investment in share market, conversely lower and average

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income group showed keen preference towards insurance and banks as the most preferred investment avenues.

**Brahmabhatt et al. (2012)**\(^{61}\) have analyzed the investor behavior and their preferences. The objectives for their study were to understand about various investments avenues available in the market, to understand the pattern of investors while making investments, to find out the factors that investors consider before they invest. Through their study it was revealed that people like to invest in stock market. The percentage of income they make as investment depends on their annual income.

**Sarita Bahl (2012)**\(^{62}\) has studied the investors’ behavior and investor preference. The objectives of the study were to study the investment behavior among working women in Punjab and to know the level of agreement of working women of Punjab on various aspects of investment planning. The study revealed that 33 percent of the women have a well-developed plan for investment. It also infer that 48 percent of the working women think that, one should start investing as soon as they find a job or occupation and 18 percent of the working women have invested in shares and stocks.

A Study on “Saving Pattern and Investment Preferences of Individual household in India” was conducted by **Meenakshi Chaturvedi and Shruti Khare (2012)**\(^{63}\) and the objectives of the study were to find the saving pattern of the individual household in India, to analyze the investment preferences of individual household in India, to study the relation of saving pattern and investment preference to social, economic, educational and occupational background of the individual household and to give suggestions for evolving better investor awareness and educational programs. The conclusion is that majority of the

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respondents (79.6 percent) stated that they had a high degree of awareness about bank deposits as investment avenue. It is found from the study that the level and extent of awareness varies with the level of income.

Palanivelu and Chandrakumar (2013)\textsuperscript{64}, in their study, have made an analysis on “Preferred Investment Avenues among Salaried Peoples in Namakkal Taluk, Tamil Nadu, and India”. The results highlighted that certain factors like education level, awareness about the current financial system, age of investors etc., make significant impact deciding the whole investment avenues. Actually, the present study identifies the preferred investment avenues among the individual investors using self-assessment test. They found that all the age groups give more importance to invest in insurance and bank deposit. Income level of a respondent is an important factor which affects the portfolio of a respondent. Middle age group and lower income level group respondents preferred to invest in insurance and bank deposit rather than in any other investment avenues. The respondents in the study area are aware of various investment avenues like insurance, bank deposits, small savings like post office savings etc., but awareness program has to be conducted by stock broking firms, about stock market because most of the respondents are unaware about these new services.

Nupur Gupta and Vijay Aggrwal (2013)\textsuperscript{65} have stated in the study done on MCX stock exchange found that 65 percent of the cash trading in equities happened in the cities of Mumbai and Delhi during the financial year 2009-10. The paper has examined the important constituents of domestic savings and investments by conducting a survey among 251 households in the cities of Mumbai and Delhi. The three constituents that influenced the pattern of savings and investments were the following. The city dwelling influenced investment

\textsuperscript{64} Palanivelu V.R and Chandrakumar.K., 2013, “A Study on Preferred Investment Avenues among Salaried peoples with Reference to Namakkal Taluk, Tamil Nadu, India”, International Conference on Business Economic and Accounting, Bangkok, Thailand.

pattern and stock market investments. Income influenced investment pattern and stock market investments of the respondents between the age group of 40-49 years. It influenced the domestic savings of the respondents' between the age group of 30-39 years. Interest rates influenced the domestic savings of households, but not their stock market investments. The present study brings out the importance of city of dwelling, in making investment decisions. This paper attempted to examine the investment pattern of households in India's two largest metros, Mumbai and Delhi. It was found that bank deposits still continue to be the most preferred form of investment, followed by mutual funds, real estate and gold. However, significant differences were found in the investment pattern of households between the two cities. Stock market investment was the third most preferred form of investment in Mumbai, however, it was not so in Delhi. Hence, it was perceived that household income is a chief driver governing savings and investment behavior of investors.

**Taqadus Bashir et al. (2013)** have aimed in their study to analyze the relationship of demographic variables with the “Investment Preferences consisting of Stock Investment and Gambling Decisions of Salaried Individuals of Finance Teachers and Bankers of Gujrat and Sialkot”. The questionnaire was distributed to analyze the significant differences at risk level and investment preferences by taking a sample of 120 individuals. Findings of this research indicated that females are more risk averse than males, whereas young and educated people are attracted more towards new risky investment opportunities and want to invest their money but they are reluctant because of limited resources and lack of investment opportunities and absence of investment trends. In addition, the emergence of frequent religious issues, non-conducive economic environment and culture are found to be the main factors having negative relationship with gambling while making investment decisions.

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Sreepriya and Gurusamy (2013)\textsuperscript{67} have conducted a research on subject investment pattern of salaried persons. According to this research paper, salaried persons always invest to secure their money for making useable for their future to meet various expenses. They preferred increments on their investments but they were possessive about their investments rather than high returns or gains on investments. These preferences vary for others because every individual doesn’t maintain equal level of investments, savings, needs and returns. The sample size of this study is 150 and data was collected by using primary ways like questionnaire and surveys. The secondary data collected by using internet, journals and research articles. The investment securities are equity, municipal bonds, corporate bonds, real estate, gold, post offices and bank deposits.

Sidharthul Munthaga and Nazer (2013)\textsuperscript{68} have conducted a study on people “Investment Choice” has been undertaken with the objective, to analyze the investment choice of people in Thanjavur District. Analysis of the study was undertaken with the help of the survey conducted. After the analysis and interpretation of data, it is concluded that in Thanjavur District though the respondents are aware of the various investment choices, they do not know about stock market, equity, bound and debentures. The study was conducted by taking limited number of sample sizes. And this study reflects the exceptions of those respondents who are residing in Thanjavur District. There might be a chance that the perceptions of the respondents are various due to the diversity of social life, living pattern, income level etc. All the age groups give more importance to invest in Insurance, NSC, PPF and bank deposit. Income level of a respondent is an important factor which affects the portfolio of the respondent. Middle age group, low income level group respondents prefer to invest in Insurance, NSC, PPF and bank deposit, rather than in any other investment avenues. In Thanjavur District,


respondents are not much aware of various investment avenues like Insurance, PPF, and bank deposits, small savings like post office savings etc. For that, awareness program has to be conducted by stock broking firms because most of the respondents are unaware of this new service and about stock market.

Parimala Kanthi and Ashok Kumar (2013)\(^\text{69}\) have made a study, which aims to investigate the holding behaviour of individual investors on various investment alternatives. It revealed the holding behavior of individual investor towards NSC/NSS, Bank fixed deposit, Chit funds, Endowment policy, Money back policy, Rural postal insurance, Diversified funds, Growth oriented funds, Balanced funds, and Debentures which are independent and other investment avenues are dependent of personality type of individual investors. In spite of the various developments in financial market, the individual investors prefer low risk investments such as small savings, deposits and insurance and avoid investing in high risk investments such as mutual funds and corporate securities. This may be because of lack of awareness, poor investment climate, lack of confidence, deficiencies in institutional infrastructure, lack of knowledge on financial instrument and regulations which are updated time to time. Though Government of India, Ministry of Finance, Securities Exchange Board of India, RBI and various finance agencies are taking several measures towards educating the investors, yet it is the investor who has to make decision.

Bhawana Bhardwaj et al. (2013)\(^\text{70}\) have noted that developing countries where agriculture holds a key position and savings have been accepted as one of the crucial factors affecting the process of economic development. But by and large there is an impression that marginal propensity to consume, is high among employees of Bahra University and their capacity and desire to save is low. The impression has, however, not been scientifically tested and substantiated due to


lack of reliable data on income, consumption and saving behavior of employees working in Bahra University in Solan District. It can be inferred from the study that majority of the employees i.e. 80 percent have the knowledge about the industrial securities, cross-tabulation of knowledge about securities and income level reveals that as the income of the employees increases, awareness about securities also increases. Though 80 percent of the employees are aware of industrial securities, only 8 percent of them are investing in it. Further, the analysis showed that some employees have invested in equity shares and very few in debentures while most of the employees do not invest in industrial securities. Further, none of the employees are satisfied with such investments. Thus at last it could be concluded that most of the employees are aware of investments in securities but they are not investing in it as they consider it as unsafe.

**Priyanka Pandey (2014)**\textsuperscript{71}, “in today’s scenario there has been a major change i.e. economic prosperity all over. The entire world is talking about the robust growth rates in this part of the world. Higher income levels and booming stock markets have led to more and more numbers of high Net Worth Investors (NHI). This means the availability of huge investible surplus. The investors with higher risk appetite want to experiment and try new and exotic products in the name of diversification. This has resulted in emergence of new options within the same or fresh asset classes. There are more products available within each asset class, be it Equity, Mutual Fund and Insurance. The purpose of the analysis is to determine the saving behavior and investment preferences for the investment options available. She found that, most of the investors rely on fixed deposit and PPF. These are the best investment avenues for them. It is also found out that preference to invest in a specific investment avenue is strongly affected by the objective of saving.”

Jayasathya and Rekha (2014)\textsuperscript{72} have stated that in India, generally all investment avenues are perceived to be risky by the investors. The major features of an investment are safety of the capital amount, liquidity, income stability, appreciation and easy transferability. A variety of investment avenues are available such as shares, bank deposits, gold and silver, real estate, life insurance, postal savings and so on. All the investors invest their surplus money in the above mentioned avenues based on their risk taking attitude. This study was undertaken to find out the awareness level of various investment avenues, the preference level of investors on various investment avenues and the expectation of investors 150 samples were collected from Coimbatore city from various investors through a structured questionnaire and awareness about derivatives and the investor risk preference in an elaborate way. The result has identified that mutual fund is highly preferred by majority of the respondents followed by the Life Insurance polices as their investment alternates.

2.4 To evaluate the motivating factors of the investor for investment

Warren et al. (1990)\textsuperscript{73} have attempted to develop a lifestyle and demographic profiles of the investors based on the value and types of investment holdings. The author pointed out that in diversified market, demographic characteristics alone may not be sufficient to serve as a basis for segmenting individual investors. This study was based on mailed questionnaire to 600 households. Multiple discriminate analyses were used to determine whether investment patterns differed according to demographic and life style dimensions. The results indicated that life style dimensions helped to differentiate between light and heavy investors in a particular investment i.e., stock and bonds.


Sharon et al. (1995)\textsuperscript{74} have found that the effect of a women’s financial education program (WFEP) on the decision to save and invest for retirement was analyzed with logistic regression. Factors associated with a change in savings and investing behavior included participant’s age, influence of other participants, a written exercise, and influence of a professional presentation. Confidence in the ability to make financial decision was associated with the participant’s level of education, workbook exercises, influence of other participants and completion of written exercises throughout the workshops.

Kavitha Rangnathan (2006)\textsuperscript{75} has examined that the rich view of research waits this sophisticated understanding of how financial markets are also affected by the “financial behavior” of investors. With the reforms of industrial policy, public sector, financial sector and the many developments in the Indian money market and capital market, mutual funds, which has become an important portal for the small investors, is also influenced by their financial behavior. Hence, this study is an attempt to examine the related aspects of the fund selection behavior of individual investors towards mutual funds in the city of Mumbai.

Meenu Verma (2008)\textsuperscript{76} has examined the growth of the Indian economy and the rise of the wealth of people and the growing demand for wealth management functions. Wealth management involves understanding the clients financial and investment requirements and accordingly providing financial planning and portfolio management services. The practical experiences of wealth management professionals emphasize that customer behavior and psychology play a very prominent role in successfully building and sustaining a wealth management relationship. Behavioral finance is a nascent but growing discipline,


which studies investor’s psychology while making financial decisions. Demographic profile and investors personality can be the two determinants for making perception about the investor’s psychology, which if scientifically studied could help the wealth management professionals to advice, their clients better. This paper aimed to investigate the effect of demographic profile and personality of the investor on investment choice. Such understanding could prove to be a boon for the burgeoning wealth management industry in India. This study is solely based on the information obtained through a survey process in India.

Dhiraj Jain and Parul Jain (2012)\textsuperscript{77} have examined “Savings and Investment Pattern of School Teachers”, a study with Reference to Udaipur District, Rajasthan. The study concluded that in today’s world money plays a vital role in every one’s life and that the importance of money has been started to be recognized by the school teacher’s community. Since they know the importance of money they have initiated themselves to prepare the budget and lessen down their expenses to meet the future consequences. It has been evident from the study that most of the school teachers are saving their money for the purpose of their children’s education, marriage and as security after retirement.

Ananthapadhanabba Achar (2012)\textsuperscript{78} has studied on “Saving and Investment Behavior of Teachers- An empirical study”. In the ultimate analysis, individual characteristics of teachers such as age, gender, marital status and lifestyle determined the savings and investment behavior of the teaching community in the study region. In a more or less similar manner, their family characteristics such as monthly family income, stage of family life cycle, and upbringing status emerged as determinants of their savings and investment behavior.


2.5 To examine the respondents investment attitude towards savings

Potter (1970)\(^79\) has empirically found evidence, suggesting the same basic factors motivating both professional and non-professional investors. The factors were desire for income from dividends, for rapid growth, for quick profits through trading and for purposeful investment as a protective outlet for savings.

Keller (1972)\(^80\) has focused on the determinants of security values, stockholder satisfactions and the nature of successful investment practice. He found each decision process to be highly individualized.

Ronald et al. (1974)\(^81\) have found the individual investor to be primarily a fundamental analyst who perceives himself to hold a balanced and well diversified portfolio of income and capital appreciation securities. He invests predominantly for the long run, and is prone to use, one of the broad based market indices as the benchmark by which to judge personal investment performance results. He supplements his direct securities purchase activities quite frequently with ownership of mutual fund, shares of the money he spends, the great bulk goes towards subscriptions to standard financial periodicals. Their direct market participation has its origins in consideration of fund as well as profits.

Marshall et al. (1975)\(^82\) have bound suggestions of a mild (inverse) relationship between the dividend yields on investor portfolios and investor tax brackets. They also found that the sources used by investors to finance stock purchase (Net purchase in 1975) were 44 percent financed out of current income, 17 percent which is drawn from savings, 11 percent from profits of earlier transactions. The most frequently cited reasons for buying stock were: availability

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of surplus from profits or cash resources, 18 percent expectation of higher return, appreciation 14 percent and hedge against inflation 8 percent.

Ronald et al. (1976)\(^{83}\) have used nearly 1000 individual investors with a wide range of individual investment circumstances and styles, to extrapolate the observed behavior patterns of a larger population. The study brought out the segmentation in investment strategies, trading patterns, portfolio composition and difference in investor attitude. The study found that investors do align themselves with particular investment philosophies and different market segments. It was further observed that the alignment is systematically related to their individual circumstances. The findings of the study suggested the existence of a powerful opportunity for the purveyors of financial services to be selective in various classes of investors.

Lease Ronald et al. (1976)\(^{84}\), in their studies have confirmed market for securities to be segmented i.e., different group of investors concentrate on different groups of assets. Apparently investors do align themselves with particular investment philosophies with distinct market segments and apparently that alignment is systematically related to their individual circumstances. The general pattern is one of the increasing conservation in investment behavior, and more self-reliant and decision making, is better when the investor older. The short term capital gains diminish in proclaimed importance; more emphasis is placed on dividend income, low reliance on broker advice, more time and money spent on security analysis. The female investor was found to be more conservative, diversified and dividend oriented. The attitudes expressed line up logically with the behavior observed and both displayed considerable heterogeneity across the sample.


Marshall et al. (1978)\textsuperscript{85} have empirically found investors’ perceptions of their rates of return not strongly related to any socio-economic demographic characteristics, except for age and income. The amount of diversification was positively related to education levels and age, even after holding income constant, age was a lesser factor than education.

Willbur et al. (1979)\textsuperscript{86} have suggested strongly that, there were distinct internally homogeneous investment performance subgroups, and scattered suggestions of a link between either personal circumstance or stated investment strategy dimensions and investment performance.

Berry (1982)\textsuperscript{87} has advised bench markers to think in terms of marketing investment portfolios, tailored to the specific liquidity, convenience, return, safety and tax sheltering preferences of the individual investor who can no longer be considered as ‘saver’.

Eward et al. (1982)\textsuperscript{88} have found empirical evidence that consumers will have similar preference or activity structures that they will generally acquire financial assets in the same order. They found support for the notion that there is a financial socialization process. The order of acquisition of the financial assets suggests a priority pattern as follows: checking account, husband’s life insurance, savings account, wife’s life insurance, stock, bonds, trusts and mutual funds.

Thomas et al. (1984)\textsuperscript{89} have stated that the survey of consumer finance 1983 found the stage in life cycle to have less influence on holdings than income.


The survey further confirmed that ownership of every type of assets as an increasing function of income. Holdings of liquid assets by age, stage in life cycle, education, occupation, housing status and racial and ethnic group to follow the patterns related to income. According to Robert Avery and Elliehausen (1986) findings, as the income rises, good member of families are more likely to own virtually every type of financial assets.

Rajarajan (2000) has analyzed the investment size, pattern and future investment preference of the investors on the basis of their life styles. This article examines a new basis, life styles and uses cluster analysis, a statistical technique, hitherto not used to segment Indian individual investors. This article brings out interesting details about the association between life styles of individual investors and their demographic and investment related characteristics on the basis of primary data collected from 405 individual investors. It suggests the use of these characteristics for a better understanding of individual investors and their financial product needs.

Ellen et al. (2001) this paper has investigated the extent to which personality influences saving and borrowing behavior and found that the personality factors such as emotional stability, autonomy and extroversion were robust predictors of saving and borrowing behavior. Agreeableness, inflexibility, tough-mindedness could explain certain types of saving. The results suggest that when studying the effect of psychological variables on saving, it is fruitful to divide saving into saving categories that differ with respect to the psychological mechanisms governing them. They also found that a partner's personality could contribute to predicting saving behavior, which means that, data should be collected from both heads of the households and their partners in multi-person households.

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Ramakrishna Reddy and Krishnudu (2009)\textsuperscript{93} have analyzed the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on the investors’ perceptions and preferences, thus, assumes a greater significance in the formulation of policies for the development and regulation of security markets in general and protection and promotion of small and house-hold investors in particular. The structure of Indian securities market has transformed beyond recognition since 1990s. The profile of the investing public, investment vehicles available, the investment environment and the nature of problems encountered by the small and household investors are substantially different today from what they were a decade ago.

Ramesh Krishnan and Fatima (2009)\textsuperscript{94} have examined the links of Social and Psychological Concepts to Investments”. Studies showed that investment is not purely a rational decision but has roots in social sciences, such as sociology and psychology. Many paradoxes that have been unexplained by classical finance are now being deciphered using behavioral finance concepts. Since behavioral finance has social- psychological roots, the tendency to behave as predicted, it must have personality dimensions. This paper attempts to measure a tendency for behaving as per behavioral finance predictions and link it to personality. The authors have constructed a measurement instrument from shefrin’s examples of behavioral finance and have used the ‘Big Five’ as the personality measurement instrument. The paper finds two dimensions of the tendency, each of them are linked to experience and personality dimensions.


Rajaraj Vanjeko (2010)\textsuperscript{95} has examined that, the individual investors are the backbone of the capital market. The growth of the capital market during the last few years has substantially increased the investor population in our country. The investment scene has undergone an enormous change. This context necessitates an understanding of the characteristics of investors in terms of their investments, strategies, expectations etc. This paper presents some interesting information on this line on the basis of information collected from thousand individual investors from 11 cities of India. This study suggests the use of these characteristics for a better understanding of individual investors and their financial product needs. It also shows investor’s future investment preferences. The study reveals the increasing popularity of equity as an investment option among individual investors.

Subramanya and Renuka Murthy (2013)\textsuperscript{96} have done their research to know about investor’s attitude towards Mutual Fund in Hassan district of Karnataka state. To achieve objectives, the primary data has been collected through structured questionnaires. Secondary data has been collected from reports, books, journals, magazines and other published datas and for collecting the primary information random sampling technique is used. The sample size restricted to 100 respondents of all category investors. Chi square statistical technique is used to draw the result from the collected data. He found that the majority of the investors prefer Mutual Funds for the returns and feel that it is a safe measure of investment. As far as the socio economic variables are concerned, age, gender, qualification, income and occupation have been encouraging the attitude of investors towards Mutual fund. Investors saving variables are not influencing the attitude of the investors


2.6 To study the factors which influence the investors to make investment decisions

Robert et al. (1994)\textsuperscript{97}, in their study have examined the various utility maximization and behavioral variables underlying individual investors’ behavior, while the studies examined the relationship between economic, behavioral, and demographic variables. The authors expressed the opinion that it provides a more comprehensive understanding of the investment decisions process. They examined two specific issues. Firstly, the relative importance of decision variables in making stock decision, and secondly, the existence of any homogeneous groups of variables that investors relied upon while making investment decisions. The findings of the study suggest that classical wealth-maximization criteria are important to investors even though investors employ diverse criteria while choosing stocks.

David Bence et al. (1995)\textsuperscript{98} in their study titled “Examining Investment Information Sources for Sophisticated Investors Using Cluster Analysis” have focused on investment information used by financially sophisticated investors and financial analysis. The main sources of information were provided by the annual reports, accounts and personal interviews with official company literature, trade journal, and government statistics.

Arvid et al. (2005)\textsuperscript{99} in their analysis have examined the striking investor and stock market behavior which have been recurrent items in the world press for the recent past crashes and hypes like the internet bubble are often hard to explain using existing finance frame works. Therefore, the authors provide a complementing multi-theoretical frame work that is built on existing finance reach to describe and explain investor’s behavior and stock market dynamics. This


framework is built on three main components: needs, decision-making theory, and (social) network effects. This framework will be used to build a future simulation model of investor behavior and to generate stock market dynamics. A brief outline of the design of these simulation experiments as well as the examples of the first results will be given.

**Matjaz Steinbacher (2008)**\(^{100}\) in his paper, has made an attempt to study asset pricing and finance as a stochastic and behavioral process. In such a process, preferences and psychology of agents represent the most important factor in the decision making of people. Individuals have their own way of getting the information they need, of dealing with them and of making predictions and decisions. People usually do not behave consistency, but they do learn. Therefore, in order to understand their behavior on the markets, a new paradigm is needed.

**Manish Mittal and Vyas (2008)**\(^{101}\) have examined that the investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors. The results of his study revealed that the Indian investors can be classified into four dominant investments personalities i.e. casual, technical, informed and cautious.


In the research papers of **Inga Michael and Barry (2008)**¹⁰² USA behavioral biases were discussed. Individuals were prevented by many cognitive and emotional biases during investment decision making which were harmful for assets or investments of individuals. The sample for this study is students of business or behavior finance. They investigated the cognitive biases on them and found that how education is so important to take right decision or to solve these biases. This research paper enhances the need for education because without it investments become sour and cause material losses.

**Cazilia Loibl et al. (2009)**¹⁰³ have analyzed survey results of investor in the US using information search, demographic, psychological and involvement variables. Cluster analysis shows five typologies for investor information search based on sources of information. This also discovers the majority of investors perform moderate to low information gathering strategies. The 11 demographics variables were insufficient to describe the typologies, although find highly educated male investors with high earnings more likely to practice a high-information search strategy, confirming previous studies. Turning to the psychological and involvement variables develop distinct typologies and identify several significant predictors for the five investor groups. For the majority of investors, investment decisions present a considerable and unwillingly undertaken challenge, and this study concludes with a discussion of how to target these investor typologies with approaches grounded in behavior-change theory.

**Gaurav Kabra et al. (2010)**¹⁰⁴ have made a study which aimed to acquire knowledge about key factors that influence investment behavior and ways that these factors impact investment risk tolerance and decision making process among


men and women and among different age groups. The present study is an attempt to find out factors which affect individual investment decision and differences in the perception of investors in this decision to invest on the basis of age and not on the basis of gender. The study concludes that investors’ age and gender predominantly decide the risk taking capacity of investors.

**Manish Mittal (2010)** has established in the recent studies that investor’s behavior and asset price deviate from the predication of simple rational models. The investment decisions of the investors are influenced by their biases and prejudices. Demographic factors like gender, age, income, education, wealth and marital status also influence investment decision making. This paper investigates how salaried and business class investors differ in their investment decisions and their tendency to fall as prey to some commonly exhibited behavioral biases. A sample survey of 428 investors from the city of Indore was conducted from July-Oct 2006 with the help of a structured questionnaire. The study indicated that business class investors are more prone to cognitive biases while salaried class investors are more prone to biases which are outgrowth of framing effect and prospects theory.

**Suleyman et al. (2011)**, in their study have shown that there is an interaction between demographic and financial behavior factors in investment decisions. It is found that gender has interaction with five of the financial behavior factors over reaction, herding and cognitive bias, irrational thinking and over confidence. The second finding of the study is that the level of individual savings has an interaction with four of the financial behavior factors overreaction, herding, cognitive bias, and irrational thinking. Based on these findings, it would not be wrong to argue that gender and savings level are effective on demographic factors in investment decisions. On the other hand, no interaction is found.

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between age and behavioral finance factors in this study. Finally, it is also found that behavioral finance factors are effective in individuals’ investment decision.

Connor (2011)\textsuperscript{107} ethnographic study described the information-seeking behaviors of women’s investment club members. It identified three general motivations for interest in investing and club membership and ties those motivations to distinct variations in information behavior. Study findings identified gaps between information needs and use, and highlights potential areas of improving the abilities of female investors to locate, evaluate and use information for investment decision making.

Syed Tabassum Sultana and Pardhasaradhi (2012)\textsuperscript{108}, in their study have stated that the decision making process is a cognitive process which results in the selection of a course of action among several alternatives. Every decision-making process produces a final choice. The output can be an action or an opinion of choice. Investment decisions made today are often critical for financial security in later life, due to the potential for large financial loss and the high costs of revising or recovering from a wrong investment decision. Most of the equity investors do not have sufficient knowledge of the basic economic concepts required to make investment decisions. To identify these factors the current study has applied factor analysis. After applying factor analysis it was found that all the 40 attributes are reduced to the following ten factors i.e. individual eccentric, wealth maximization, risk minimization, brand perception, social responsibility, financial expectation, accounting information, government and media, economic expectation and advocate recommendation factors.


Omo Aregbeyen et al. (2012)\textsuperscript{109} in their study have investigated the factors that have influenced the share investment decisions of a sample of 2000 Nigerians. It is motivated by the observed significant investment in shares in Nigeria in recent years as well as the need to understand the behavior of investors in Nigerian capital market and the factors that influence them to invest in shares. The theoretical anchor for this is the behavioral finance theory. Based on this theory, a set of 20 factors cutting across social, economic, psychological, cultural issues that could influence investment decisions in shares as suggested by the available literature were identified and organized alongside with bio-data information to make a questionnaire which was then used for conducting the investigation. The data collected were analyzed using both descriptive and inferential statistical analyses. The results obtained showed that the top 10 factors that have influenced the investment decisions of the respondents in the order of ranking are motivation by people who have attained financial security through share investment, future financial security, recommendations by reputable and trusted stock brokers, management team of the company, awareness of the prospects of investing in shares, composition of board of directors of companies, recent financial performance of the company, ownership structure of the company, reputable predictions of future increment in share value and bonus payments in order of mentioning. On the average, the group of factors making up social factors pooled the highest scores. This is followed by economic factors in the 2\textsuperscript{nd} position. Psychological factors come 3\textsuperscript{rd} while the 4\textsuperscript{th} and the least in scores are cultural factors. However, the observed differences in the scores among the different sub-groups of factors were not significant when subjected to statistical analysis by means of analysis of variance. The study therefore concluded that investment decisions in shares are influenced jointly by economic, social, cultural and psychological factors.

Lubna Riaz et al. (2012)\textsuperscript{110} have stated that every individual is different from others due to various factors which include demographic factors, age, race and sex, level of education, social and economic background of the investors. The most critical challenge faced by them is the investment decision; they act in a rational manner and usually follow their instincts and emotional biases while making investment decisions. The investigation of previous studies revealed the importance of various psychological factors which affect their investment decision. Keeping this in view, a study model has been developed to describe the impact of risk propensity, asymmetric information and problem framing on investor’s behavior while making decisions through the mediating role of risk perception; also it determines how much weight is attached to each independent variable by the investors when they make their decisions. Overall discussion concluded that the investor’s behavior depends on how the available information is being presented to them and how much they are prone to taking risk while making decisions; thus playing a significant role in determining the investment style of an investor.

This research was conducted in Rajasthan by Dhiraj and Nikhil (2012)\textsuperscript{111} who have investigated the investment decision of individuals with demographic variables (age, gender, income, qualification, occupation and marital status). They used chi-square test and correlation for data analysis and the sample size of the study was 200 respondents. They found negative correlation with them. But there was positive correlation between knowledge and the income level of investors of different cities. There was no significant relationship between genders on investment decisions in this study.


Geetha and Ramesh (2012)\textsuperscript{112} have made an attempt to assess relevancy of demographic factors in investment decisions, and the study found mixed response from the sample survey conducted in the Nagapattinam District of Tamil Nadu. The analysis made and the results of the survey found that there is no significant relationship between demographic factors and other factors that influence the investment decision making process. However in case of relationship between demographic factors and periods of investments, it was found that a few demographic variables such as family size, annual income and annual savings have significant relationship. But the rest of the variables such as gender, age, education and occupation have no significant relations with the period of investments made by the investors. The study also elucidated a general view of the inventors’ perception over various investment avenues. It revealed the very peculiar characteristic feature of the Indian people on their choice of investment products. Normally, in any developing country, people invest more in financial assets rather than physical assets and in particular there will be more investment in shares and debentures. But in India, in the initial years after Independence, people were mainly investing in physical assets than financial assets and now their choice is more or less equally distributed between physical and financial assets. The people may not be interested to take risk, if that is the reason for not preferring capital then they could prefer only insurance, post office saving and securities which are risk free investments as well as give more return than bank deposits.

Harikanth and Pragathi (2013)\textsuperscript{113} in their study have revealed that the investors invest in different investment avenues for fulfilling their financial, social and psychological need. While selecting any financial avenue they also expect other type of benefits like, safety and security, getting periodic return or dividends, high capital gain, secured future, liquidity, easy purchase, tax benefit, meeting future contingency etc. The study found that males are more interested to invest in


risky avenues like shares (8.14) percent in this study than females (1.58) percent investors. Female investors are not more exposed with shares and mutual funds. Educated, male investors who belong to the age group of 31-40, having more income (employee or business men) are more interested with the risky avenues like share and mutual fund. They also make a good portfolio for them and think for their future with an objective of getting high capital gain from a particular avenue. It is seen that there is a significant relationship between income and occupation on investment avenues in order to satisfy safety, periodic return, liquidity, better future and future contingency needs, etc. Risks bearing capacity and educational level of investors are also the two main factors which affect the selection of investment avenues. Male urban investors are more participative in nature with regard to investment avenues selection as against their female counterparts, as they are more exposed with the environment and market knowledge. Hence it can be suggested that the financial investment avenues should be designed by seeing the geographical horizon of the investors, their age, income, occupation, gender and risk tolerance capacity etc, as investors or customers are the key for success in any business.

Kamal Ghalandari and Jafar Gahremanpour (2013) had the purpose of investigating the effects of market variables and herding effect on investment decision as factor influencing investment performance in Iran. Behavioral finance which considers the human behaviors in finance is a quite new area. Behavioral finance theories, which are based on the psychology, attempt to understand how emotions and cognitive errors influence individual investors’ behaviors (investors mentioned in this study are referred to individual investors). Totally, 300 questionnaires were distributed to investors in Tehran stock exchange, and 275 questionnaires were used for the final analysis. Finally, investment decision has a positive influence on investment performance in Tehran stock exchange. Findings provide support for the behavioral approach to portfolio theory and shed new light on the traditional approach to portfolio theory. This

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suggests that when buying stocks, investors would choose companies with higher cash/stock dividends, as well as invest in short/mid/long term stock with adequate capital allocation. Investors with higher amounts of investment have multiple gains, investors with more cash reserved for the next investing opportunity would likely gain. This indicates that investment decision and capital allocation play important roles.

Ambrose Jagonago et al. (2014)\(^{115}\) have analyzed the individual investments behavior which is concerned with choices about purchases of small amounts of securities for his or her own account. Investment decisions are often supported by decision tools. It is assumed that information structure and the factor in the market systematically influence individuals’ investment decisions as well as market outcomes. The objective of the study was to establish the factors influencing investment decisions at the Nairobi Stock Exchange. The study was conducted on 42 investors out of 50 investors that constituted the sample size. To collect data the researcher used a structured questionnaire that was personally administered to the respondents. The questionnaire constituted 28 items. The respondents were the individual investors. In this study, data was analyzed using frequencies, mean scores, standard deviations, percentages, Friedman’s test and factor analysis techniques. The researcher confirmed that there seems to be a certain degree of correlation between the factors that behavioral finance theory and previous empirical evidence identify as the average equity investor. The researcher found that the most important factors that influence individual investment decisions were reputation of the firm, firm’s status in industry, expected corporate earnings, profit and condition of statement, past performance firms stock, price per share, feeling on the economy and expected dividend by investors. The findings from this research would provide an understanding of the various decisions to be made by investors, based on the prevailing factors and the eventual outcomes for each decision and would identify the most influencing factors on the company’s investors’ behavior on how their future policies and

strategies will be affected, since investment decisions by the investors will determine the company’s strategy to be applied.

It is obvious from the above available indicator that the household sector makes a major contribution to the total national savings. But except for such data for the nation as a whole, there is hardly any detailed information based on original micro-observation about households’ income and savings in different sector which is very essential to the policy makers.

Further, as the inter-relationship between savings and investment behavior at the micro level and the operations of the economy at the macro level is complex in nature. And that too in India, the composition of saving is undoubtedly different from that of the developing economies and drastically differs from that of developed countries.

Another vital aspect which is regulated to the background with respect to household savings is the extent and pattern of consumption for the different groups of households and the large to save among households has its direct bearing on their level and pattern of consumption of increased revenue, but of diminished consumption. In this context, a detailed examination of the household income, saving behavior involving inevitably the saving patterns, motivations, number of earners, hazards of life sickness, unemployment, old age, purchase of prestigious articles, safety of investment, returns, liquidity, marketability and integrity of the investment.

The present study is undertaken on the basis of an in-depth field study and answer to fill up the gap of the available literature on the investment preferences and attitudes of rural and urban household investors in Vellore District of Tamil Nadu. The next chapter presents an overview of Investment Avenue.