LIST OF ABBREVIATIONS

GDP	:	Gross Domestic Product
FMCG	:	Fast Moving Consumer Goods
CPI	:	Consumer Price Index
FDI	:	Foreign Direct Investment
ETF	:	Exchange Traded Fund
WPI	:	Wholesale Price Index
MCX	:	Multi Commodity Exchange
NCDEX	:	National Commodity and Derivative Exchange

Chapter – I

Introduction and Design of the Study

1.1 Introduction

Savings is the difference between income and expenditure. A high level of savings helps the economy to progress on a continuous growth path since investment is mainly financed out of savings. Savings figures as an important part of the economy of any nation. A nation's savings are essential requisites for its economic development and to enable them to become a self –reliant country. The need for mobilization of domestic resources for the purpose of financing development programs has to be met by inducing the domestic savers to contribute their savings in productive channels. In case domestic savings are insufficient it has to be supplemented by foreign savings, which has to be repaid by the future generation. Development requires sacrifice in the form of restricting and delayed consumption so as to enforce a higher rate of savings. Moreover it should be coupled with government policies to encourage and support the attraction of funds from the public.

For this purpose it is required for the planners to have sufficient knowledge about individuals' capability regarding the magnitude of savings, the groups that save, the forms in which those savings are channelized, the motivational force operating behind savings decisions. A nation's savings and investment propensities also play a central role in the economic stabilization or in the degree of utilization of existing economic resources. To enable the Indian economy to procure a high level of savings various measures were introduced by the Government and financial institutions.

Savings therefore is a key factor in achieving a high rate of investment in various options available to the people. The money acts as the driving force for growth of the country and individual progress. The concept of mere savings cannot be helpful for the individuals for the reason that any money which is put inside a box cannot give any additional return, but the money which is set aside as savings needs to be committed to any of the investment channel which qualifies the necessary criteria to be called as an investment. This would in turn benefit the individual savers and contribute to the nation's development.

The post liberalizations era had opened up many new investment avenues to the public to invest, the private banks, foreign banks, mutual funds, and the accelerated growth pace of the real estate companies. Due to the financial crisis, the Reserve Bank of India drastically reduced the interest rate on the fixed deposits and as a result of this the investors eyes are diverting away from the traditional investment avenues like bank deposits and post office savings schemes to upcoming innovative avenues like shares, real estates and mutual funds nowadays. Moreover the younger generation is much keen to invest in varied options if they get ample information and awareness on those investment options.

Investment refers to the concept of delayed consumption, which involves in purchasing an asset either in financial or physical form or keeping funds in a bank account with the aim of generating additional returns in future returns[1]. The investment options offer differing risk-reward tradeoffs. An understanding of the core concepts and a thorough analysis of the options can help an investor to create a portfolio that maximizes returns while minimizing risk exposure. Indian financial system has a healthy and competitive network of financial institutions rated high by the global agencies. And it also facilitates wide and varied investment choices and makes available reasonable options for an ordinary man to invest his savings. The general concern and focus of the financial advisors and Government is to see that every individual needs to invest and earn returns on their idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future. An idea about the former pattern of household savings would be supportive.

1.1.1The Former Patterns of Indian Household Savings

Domestic saving primarily consists of three components, viz., household sector, private corporate sector and public sector savings. The household sector saving constitutes the largest portion of gross domestic saving which is much relevant in the

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[1] www.tumblr.com/tagged/**investment-**growth-in-india

context of research. Household sector saving comprises of saving in financial assets and saving in physical assets. Gross financial saving of the household sector include the saving in the form of currency, bank deposits, non-bank deposits, saving in life insurance fund, saving in provident and pension fund, claims on government, shares and debentures inclusive of investment in mutual fund units.

Gross domestic savings in India had shown a steady and substantial rise from the 1950s along with the rise in per capita income. The overall savings rate and the household savings rate took a sharp upturn in the 1970s, marginally increased thereafter, and then again took an upturn from the 1980s. Another school of thought suggested that the rapid expansion of banks, after their nationalization in 1969, contributed to increased savings of people by lowering the transaction costs of saving.

The second expansion from the mid 1980s to present can be attributed to the Economic Reforms initiated in 1985 and thereafter accentuated from 1991. The year 1984-85 to 1995-96 was a remarkable phase of growth of the Indian economy. The jump in savings rate only substantiated the hypothesis that, economic liberalization promoted savings through economic growth which resulted in the act of investment by the households.

India had reported 33.7% gross domestic savings as a percentage of Gross Domestic Product (GDP) in the fiscal year 2010 as its economy picked up a faster pace following the economic slowdown in 2009. The economic slowdown in 2009 saw the gross domestic savings falling to 32.2% of the GDP, which was 36.9% previously in 2008.This increase in gross domestic savings augur well for the expansion of Indian economy. The high saving rate had been one of the key sources of investment capital in

Asia, providing funds for capital formation. Rising saving rates correspond to substantial improvements in gross capital formation which rose to Rs23,892 billion in 2009-2010 from Rs 19,271 billion the previous fiscal year.

But the attention has to be drawn to household share of gross domestic savings which had declined from 74% to 69.6% of total gross domestic savings. The household savings reveals a striking feature of the 2000s in the general leveling off the household savings rate at about 23 per cent from around the middle of the decade. This was in contrast to the upward movement in the previous years, followed by private corporate savings with 24.1% and public savings with 6.3% of gross domestic savings in 2009-2010.

India's savings performance had been quite impressive in a cross-country context. India's gross domestic savings rate in the recent period was comparable with countries like Indonesia, Thailand and Korea, but it tends to be much lower than that of China, Malaysia and Singapore. The magnitude of increase in the domestic savings rate in India and China during the period 2000 to 2007 was on the increasing trend.

The position of this category of savings in India is examined below vide Table 1.1, to have a broader view among different countries and years.

Table 1.1

Gross Domestic Savings Rate (per cent of GDP)

Country	**1990**	**1995**	**2000**	**2005**	**2007**	**2008**	**2009**
India*	**22.8**	**24.4**	**23.7**	**33.5**	**36.9**	**32.0**	**33.8**
China	39.1	43.5	37.5	47.6	50.5	51.8	52.1
Indonesia	32.3	30.6	32.8	29.2	29.0	28.9	33.8

Malaysia	34.5	39.7	46.1	42.8	42.1	42.3	36.0
Pakistan	11.1	15.8	16.0	15.2	15.4	20.8	11.4
Sri Lanka	14.3	15.3	17.4	17.9	17.6	13.9	18.0
Thailand	33.8	35.4	31.5	30.3	34.8	31.5	32.4

Source: Data for India are sourced from the national authorities and World Development Indicators 2011, World Bank.

It is in this context proper guidance is needed for the domestic savers to reciprocate their previous losses into gains and to go forward with sustainable positive increase in comparison with other countries. This would help the economical downturn to revive back by providing ample opportunities for the country by channelizing the savings to proper investment avenues. For this to happen, every individual need to look on to their investment pattern and be convinced to advocate an alteration wherein the affirmed understanding will bring in constructive benefits as a whole for the economy and the investor. To make it clear, the household sector savings to be efficacious lies in the attitude, perception and wise distribution in investible assets.

1.1.2 Household Sector Savings-Status Report

Regarding domestic savings the projections for the recent years and estimation for the future is given below vide Table 1.2.

The table shows that the projected household savings rate may increase from 23.2 per cent in 2011-12 to 25.2 per cent in 2016-17, giving an average of 24.4 per cent during the Twelfth Five Year Plan. If the rate tends to be in a much slower pace some stringent measures will have to be taken by the policy makers to make a difference and improve the average to some possible extent. This is possible only through some drastic change in the distribution of financial and physical assets. But this needs a clear understanding of the need of investment strategy and also the present trend.

Table 1.2

Projections of Household Savings Rate (in per cent of GDP)

Year	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**12th Plan Average**
Household savings rate	23.2	23.6	24.0	24.4	24.8	25.2	24.4

Source: RBI Report of the Working Group on Savings during the Twelfth Five-Year Plan (2012-13 to 2016-17) dated 24 April 2012

1.1.3 Need for an Effective Investment Strategy

A well-planned investment strategy is essential before embarking on any investment decision. As the return on investment is not always clear, the investors prepare the strategy so as to face the ongoing challenges in investment arena.

Investment strategy is usually considered to be more of a branch of finance than economics. It is defined as set of rules, a definite behavior or procedure guiding an investor to choose his investment portfolio. An investment strategy is centered on a risk-return trade-off for a potential investor. High return investment instruments such as real estate and mutual funds usually have more risks associated with it rather than low return-low risk investment opportunities. Return on investment can be calculated on past or current investment or on the estimated return on future investment. These could be done using simple applications facilitating any person who is a beginner to the area of investment. The requirement is only simple understanding and logical approach during strategizing the investment plan.

A balanced investment strategy is generally required in the process of investment, which comprise of a long time planning and some risk tolerance measure. In case, when a strategy is aggressive in enforcement, the chance of attaining a higher goal is brighter. An efficient strategy can be obtained from the portfolio theory, which shows a good estimate on the risk and return.

1.2 Statement of the Problem

A high level of savings helps the economy to progress on a continuous growth path since investment is mainly financed out of savings. The Reserve Bank of India (RBI) had stated that the household savings constitute the biggest segment of aggregate savings in India. The domestic savers have to try the various investment options before them. Along with the increase in the savings rate the investors had to search for investment options which would fulfill their investment objectives. The investment choices studied here were not considered by the investors as they had not realized their core values mostly through ignorance, non alertness and lack of access to right information.

Even though people are drawn towards these innovative avenues of investment, the knowledge which they have is not consistent with regard to all the avenues of investment available. This makes them lean on the professional advisors. Most of the financial advisors are competent but even there are minimal sections of them are keen on exploiting the gullible investors with pecuniary motives.

The Reserve Bank of India’s Annual Report for 2010-11 had explained that, the decline in the net financial savings rate of the household sector reflected the slower growth in households’ savings in bank deposits and life insurance fund. Along with this trend there was an absolute decline in investment in shares and debentures, mainly driven by redemption of mutual fund units. But, there was a shift in favor of small savings and currency during the year.

In the present day context, it is understood that almost all salaried class people plan to invest their money in different investment avenues available in order to avoid tax burden, to meet future needs like education which has become the costly affair and marriage of their children, to ensure safety of funds and to meet some specific emergencies. The predominant motive for selecting the college teachers working in arts and science colleges residing in Madurai city was that the, cost of living is comparatively low and expenditure involved for meeting family commitments is moderate in Madurai city when compared to other metropolitan cities. As of this reason the percentage of savings could be possibly high for this group. The immediate focus on this area would result in possibly creating an awareness to initiate funds flow into appropriate investment options.

The college teachers have a regular income and it is more essential for them to do tax planning for their income to avoid paying higher amount of taxes. Most of them come under the purview of taxation and therefore they opt for investing their surplus funds to escape from the tax net. The respondents may belong to different institutions and the environment in which they work may differ but the main driving force is not only investing the funds for safety but they also want their investment to yield a very good return. This had made people to go crazy behind various organizations and firms to park their investments. It was observed that within a short span of time many finance companies, investment companies, banks, foreign entities and other investment avenues had a mushroom growth in the country. some of them were found to be spurious and were found to exploit the ignorance of the people regarding investments of funds.

Even highly educated people who were informed in all other areas, lack knowledge in the field of finance and investment. Probably they do not know the approach to choose specific investment alternatives to be included in their investment pattern. It has been strongly felt that proper guidance is needed to be given for the college teachers in this specific area as it does not only pertains to an individual's income and returns but it is associated with the wealth creation and nation building

Each and every college teacher needs to be informed well informed in taking efforts to frame or reframe their investment pattern with appropriate combination of financial and physical assets. Many times they go by their own intuition or follow strategies followed by their friends or relatives or the one given by the professional advisor which may not be successful at all times.

Another reason for taking up the investment pattern of the of college teachers for the study is that in the present condition, their number is tremendously large and also likely to increase in the future. Their income level had increased to a greater extent.

Being an enlightened community they need to have a high level of awareness and exposure relating the investment options available. which is found lacking in them.

The major objective of this study is to discover the pattern of investment adopted by the college teachers and elucidate their expectations to make such investors to achieve their investment objectives. This study would of help to many of the college teachers who may want to know a rational method to have a better, safe and profitable investment portfolio. Hence the study is entitled as "A Study on Investment Pattern Among Investors with Special Reference to College Teachers in Madurai City".

1.3 Objectives of the Study

The following are the objectives of the study.

1 To study about the theoretical perspectives of various investment alternative.

2. To study the existing investment pattern of the respondents

3 To study the about profile of the respondents and their attitude towards investment

4 To analyze the significant factors being considered for investment decision

5. To analyze the perception of the investors towards investment alternatives

6. To summarize the findings and suggestions to the policy makers in the context of expectations of investors while they choose their investment alternative.

1.4 Hypotheses

1. There is no relationship between personal profiles and opinions of college teachers towards factors considered by them for the investment decision.

2. There is no significant difference between the opinion scores about investment alternatives among the group of respondents based on their profile.

1.5 Scope of the Study

The study would facilitate us to understand the basic reasons which are behind the growth of such large number of financial institutions all over the country and again would explain the rationale as to why people are much eager to make investments with such institutions and many times are getting affected by the aspect of risk.

The study will be of help to gain a better understanding of the expectations an investor actually looks for in an investment option. It could be used by the financial sector in designing better financial instrument customized to suit the needs of this group of the respondents according to their varied needs and expectations taking into consideration their individual investment pattern. It will also help the agents, executives and brokers in marketing the existing financial instruments. It will provide the knowledge to the investors about the various financial services provided by the company. This will also help the financial institutions to understand the requirement and expectations of different categories of investors.

These beneficial aspects had motivated for a thorough study in the form of a research, to find answers for questions relating to investment strategies, views on different investment options, the minute details considered by the respondents before including the investment alternatives in their investment portfolio. This study would facilitate in analyzing the investment pattern or technically speaking "Portfolio Management" of the highly educated members of the society.

This Study would be of immense help to the Government policy makers, administrators, banks and other financial institutions in the country. It will be highly beneficial to the academic community in the universities and also prove to be a guiding factor to the small investors in their investment decisions. It will be highly useful for the lay men and the future researchers who may likely to start from where this study stops

1.6 Review of Literature

The research dimension of the related literature and the relevant information begins from an explanatory perspective, approaching towards specific studies which are related to judging the limitations and informational gaps in data from the secondary sources. This analysis may reveal conclusions from past studies to realize the reliability of the secondary sources and their credibility. This in turn enables one to rely on a comprehensive review for the study.

The present study is entitled "Investment pattern among investors with special reference to college teachers in Madurai city. A few studies had been made which were indirectly helpful to this investigation. Reviews of such studies are presented below:

Tamilkodi[2] had stated that small savings schemes have a psychological appeal and it provides an opportunity for ordinary men, women, and even children to park their savings. They reach a large number of people and cover a wide range of areas. She also had suggested that efforts should be taken to simplify the procedure of small savings schemes to suit the needs of illiterate and socially downtrodden people. Further, she had

[2] Tamilkodi, A.P.P., "Small Savings Schemes in Tamil Nadu: A Trend Study (1970-80)", Unpublished Thesis, University of Madras, Chennai, 1983

suggested an increase in the rate of interest of small savings schemes to meet the challenges of commercial banks.

Hemant R. Dani,[3] in his article "The purpose of Investment" mentioned the ways in which savings could be invested to earn income. The various avenues were compared and the advantage of investing in equities was brought to light.

Hemant.R.Dani had stated that if investments are to be gainful one had to assume risk. The investment programme had to be so formulated so as to protect against risk or minimize risk. Diversification of funds among different investment avenues for varying periods was the best method suggested by him for the investors. Diversification properly applied should embrace difference according to types of risks and according to the nature of the organization and geographical location. Frequently diversification between different classes of securities would offer a means of hedging against certain risks or accomplishing certain purposes of the individual investor.

Jayaraman[4] had stated that instead of issuing special bonds for unearthing black money the Government of India can encourage investment of black money in various small savings schemes. He had further stressed the need to draft the assistance of voluntary agencies at the school and college level for further mobilization of savings.

Mukhi[5] had revealed in his study that NSC has been one of the most popular tax savings instruments in this country. He had stated that those contractors and others who have to provide security while bidding for contracts finds it extremely convenient to

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[3] Hemant R. Dani, "The purpose of investment", Investment Today, October, 1984, p.16

[4] Jayaraman R., "A Study of Small Savings Schemes in North Arcot District", 1976-86, Unpublished Thesis, University of Madras, Chennai, 1987.

[5] Mukhi M.D., "NSCs, A saving grace", Business World, 6-19 December, 1989, pp.107-120.

buy NSC and pledge these to the appropriate authorities while earning 12 per cent per annum on the pledged securities. He had also stated that the major attraction of NSC is its simplicity. Even the average investor does not have to scratch his head to understand the scheme.

Arangasami[6] had observed that more and more dependence on mobilization of resources through small savings will ensure and promote self-reliance. He concluded that the Central Government should give proper assistance and encouragement to the small savings agencies, which will be useful not only in mobilization of funds but also for the economic development.

Pyare Lal Singh[7], analyzed the trend of domestic savings and Investments in India. He revealed that sector wise savings showed that during 1981-91 there witnessed a considerable increment from 6.95% to 30.99%.The household savings increased from 90.05% in 1981-82 to 122.99% in 1990 – 91. The financial assets contributed 56.08% of the total household savings in 1981-82.

Gupta[8] conducted a study based on the survey of household investor. The objective of the study was s to provide data on investor preferences on Mutual Funds and other financial assets.

Mahalati. S et.al[9] found that the sources of savings were savings from salary, provident fund, insurance schemes, government securities, and parental property. The

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[6] Arangasami A., "A Study of Small Savings Schemes in Tamil Nadu with Special Reference to Madras Districtduring 1981-82 to 1990-91", Unpublished Thesis, University of Madras, Chennai, 1992.

[7] Pyare Lal Singh, "Trend of Domestic Savings and Investment in India 1992", Banaras Hindu University, Varanasi, Southern Economists, March, 1994.

[8] Gupta L C., "Another Puzzle: The Growth in Actively Managed Mutual Fund", Journal of Finance, Vol.52, 1993, pp.783-810.

[9] Mahalati. S, Chari. V and Niketa Singh Dikshit, "Investment Pattern of Retired Army Officers", A Case Study, Southern Economist, November, 1993, pp.13-15

investment avenues were fixed deposits, house construction, land, Government securities, shares and gold. The reasons given were the financial security offered by government and the urge to meet the basic needs.

G. Raju[10] had pointed out that the household sector savings made a significant contribution to the gross domestic savings in India. He had revealed that 82.2% of net savings was contributed by the household sector in 1988- 89. The corporation of household sector savings showed that the savings in the form of financial savings increased from 8.6% in 1950-51 to 42.5% in 1988- 89. The reason was mainly due to development of banking, capital market, insurance and the then prevailing economic policy

Madhusudhan V. Jambodekar[11] had revealed that income schemes and open-ended schemes are preferred over growth schemes and close-ended schemes during the prevalent market conditions. Investors look for safety of principal, liquidity and capital appreciation in the order of importance.

Lu Zheng[12] had examined the fund selection ability of MF investors. He found that the investors' choose funds based on the fund-specific information. The decision regarding the fund is always based on short-term future performance.

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[10] G. Raju, "Household sector savings in India" , Southern Economist, March, 1993

[11] Madhusudan V. Jambodekar, "Marketing Strategies of Mutual Funds – Current Practices and Future Directions", Working Paper, UTI – IIMB Centre for Capital Markets Education and Research, Bangalore, 1996.

[12] Lu Zheng , "Is Money Smart? A Study of Mutual Fund Investors' Fund selection Ability", The Journal of Finance, Vol. LIV, No.3, 1999.

Sujit and Amrit[13], had revealed that the salaried and self-employed were the major investors in mutual funds, primarily due to tax concessions. UTI and SBI

schemes were popular in the country during the time of their survey and other funds had not proved to be a big hit then.

Jambodekar[14], which revealed that income schemes and open ended schemes are more preferred than growth schemes and close ended schemes during the then prevalent market conditions.

Raja Rajan[15], in his studies, surveyed a number of investors and found that there exists segmentation among investors based on their characteristics, investment size and the relationship between stage in life cycle and their investment pattern.

Malhotra and Robert[16], reported that the preoccupation of mutual fund investors with using performance evaluation as selection criteria is misguided because of volatility of returns, which may be due to superior management or just good luck is difficult to determine. The findings of Ferris and Chance (1987), Trzeinka and Zwing (1990), and Chance and Ferris (1991) were consistent with the findings of Malhotra and Robert (1997).

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[13] Sujit Sikidar and Amrit Pal Singh, "Financial Services: Investment in Equity and Mutual Funds – A Behavioural Study, in Bhatia B.S., and Batra G.S., ed.", Management of Financial Services, Deep and Deep Publications, New Delhi, Chapter 10, 1996, pp.136-145.

[14] Jambodekar, M. V., "Marketing Strategies of Mutual Funds – Current Practices and Future Directions", Working Paper, UTI – IIMB Centre for Capital Markets Education and Research, Bangalore, 1996.

[15] Raja Rajan, "Chennai Investor is conservative", Business Line, 23rd February, 1997, pp.21-28.

[16] Malhotart D and McLeod R, "An Empirical Analysis of Mutual Fund Expenses", Journal of Financial Research, Vol. XX, No.2 (summer), 1997, pp.175-190

Syama Sunder[17], had revealed that the awareness about MF concept was poor during that time in small cities like Vishakhapatnam. Agents play a vital role in spreading the MF culture; open-end schemes were much preferred then; age and income are the two important determinants in the selection of fund / scheme; brand image and return are their prime considerations.

Somasundaram[18], had found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes 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. Nearly two-thirds of the investors were satisfied with their savings. Both income and expenses of a family influenced the level of satisfaction over savings. A large proportion of investors were concerned about their children's well-being. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the most important element. Next, the investors expected regular return from their investments.

Rajarajan high lightened segmentation of investors on the basis of their characteristics, investment size, and the relationship between stage in life cycle of the investors and their investment pattern.

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17 Syama Sundar, P.V., "Growth Prospects of Mutual Funds and Investor Perception with Special Reference to Kothari Pioneer Mutual Fund", Project Report, Sri Srinivas Vidya Parishad, AndhraUniversity, Visakhapatnam, 1998.

18 Somasundaram V.K., "A Study on Savings and Investment Pattern of Salaried Class in Coimbatore District", Unpublished Thesis, Bharathiyar University, Coimbatore, 1998.

Rajarajan.[19], had classified investors on the basis of their demographics. He had also brought out the investors' characteristics on the basis of their investment size. He found that the percentage of risky assets to total financial investments had declined as the investor moves up through various stages in life cycle. Also investors' lifestyles based characteristics had been identified.[20] The above discussion presents a detailed picture about the various facets of risk studies that have taken place in the past. In the present study, the findings of many of these studies are verified, updated, and classified investors on the basis of their demographics. Behavioral finance is a new emerging science that studied the irrational behaviour of the people.[21]

Rohini Jayakar[22], had suggested investment avenues and tips to investors. As the budget 1999 provided tax concessions for mutual funds of sectors like InfoTech, pharmaceuticals and FMCG, investments could be beneficial. The launch of gold denominated funds and schemes could make the outlook brighter. With income-tax rates falling steadily, investing in an insurance policy as a tax-saver was less attractive. Investors could make use of tax exempt investments under Sec.10 and Sec. 80 c of Income-Tax Act." Understanding Indian Investors", by Jawaharlal is a macro study of the factors that influence the investment decisions of the investors.

Gavini and Athma[23], had found that social considerations, tax benefits, and provision for old age were the reasons cited for saving in urban areas, whereas to

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[19] Rajarajan.V, "Investment size based segmentation of Individual Investors", Management Researcher, Vol.3, No. 3 & 4, January – June, 1997, pp.27-36.

[20] Rajarajan.V, "Stages in Life Cycle and Investment Pattern", The Indian Journal of Commerce, Vol.51, No. 2 & 3, April-September, 1998, pp.27-36.

[21] Rajarajan.V, "Investors' Lifestyles and Investment Characteristics", Finance India, Vol. XIV, No. 2, June, 2000, pp.465-478.

[22] Rohini Jayakar, "Investing for Tomorrow", Business Today, 22nd May, 1999.

[23] Gavini, Augustine, L., and Prashanth Athma, "Small Saving Schemes of Post Office Need to Be Known More", Southern Economist, 15th February, 1999, pp.13-14.

provide for old age was the main reason in rural areas. Among the post office schemes, Indira Vikas Patra (IVP), KVP and Post Office Recurring Deposit Account (PORD) were the most popular, in both urban and rural areas.

Shanmugham[24], had found that psychological and sociological factors dominated economic factors in share investment decisions.

Karthikeyan[25], had found that there was significant difference among 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. Majority (73.3 per cent) of investors of both semi urban and urban areas were very much willing to invest in small savings schemes in future provided they have more for savings.

Rajeshwari and Rama Moorthy[26], studied the financial behaviour and factors influencing fund/scheme selection of retail investors by conducting Factor Analysis using Principal Component Analysis, to identify the investor' s underlying fund or

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[24] Shanmugham, R., "Factors Influencing Investment Decisions. Indian Capital Markets – Trends and Dimensions(ed)", New Delhi: Tata McGraw-Hill Publishing Company Limited, 2000.

[25] Karthikeyan, B., "Small Investors' Perception on Post Office Small Savings Schemes", Unpublished Thesis, University of Madras, Chennai, 2001.

[26] Rajeshwari T.R and Rama Moorthy V.E., "Performance Evaluation of selected Mutual Funds and Investor Behaviour", Unpublished Thesis, Sri Sathya Sai Institute of Higher Learning, Prasanthinilayam, 2002.

scheme selection criteria, so as to group them into specific market segment for designing of the appropriate marketing strategy.

Latha Krishnan[27], had explained that investments come in many forms. While some people considered hard assets such as land, house, and gold and platinum as investments, others looked at monetary instruments such as stocks and bonds as ways to make their money grow. A cautious or conservative investor is unlikely to play carelessly with his hard-earned money. So he kept to safe investments that guarantee the return of his capital and still earn good returns in a stipulated period if the product in which he had invested gains in that period. In such an investment, even if the markets go down and he does not gain much, he also does not suffer a heavy loss. A wealthy person with more money to invest can take more risks and invest in a variety of products that major financial players provide. A wealth of information on these as well as comments and criticisms on their performances and profitability is readily available.

Avinash Kumar Singh[28], had concluded that in Bangalore investors are more aware about various investment avenues and the risk associated with that. All the age groups gave more importance to invest in equity and except those people who were above the 50 years of age gave importance to insurance, fixed deposits and tax saving benefits. Generally those investors who are invested in equity were personally followed the stock market frequently i.e. in daily basis. But those who were invested in mutual funds watched stock market weekly or fortnightly. In Bangalore, investors were more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors were more conservative in nature and they preferred to invest

[27] Available at: http://www.exclusivemba.com/ijemr
[28] Available at http://www.exclusivemba.com/ijemr

in those avenues where risk was less like bank deposits, small savings, post office savings etc.

Krishnamoorthy[29], had analyzed the profile and awareness of salaried class investors and their attitude and satisfaction towards investment. In had been concluded that all salaried people were aware of bank deposits, PF schemes, insurance schemes, post office savings schemes, gold and however only few were aware of UTI.

Sudalaimuthu and Senthil Kumar[30], had viewed that running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock Market and also the awareness of the small investor. Their study had made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor's expectation.

Sunil Gupta,[31] had revealed a clear as well as a complex picture that the people were not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that more investors in the city preferred to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class were going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments were concerned, people put their surplus

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[29] Krishnamoorthy. C., "A Study on Investment Pattern and Tax Planning in the Nilgiris District", Unpublished Thesis, Bharathiyar University, 2008.

[30] Sudalaimuthu and Senthil Kumar, A study on Investors Perception towards Mutual Funds Investments, Management Trends, 5(1), March, 2008.

[31] Available at: http://www.exclusivemba.com/ijemr

in banks, post offices and other government agencies. Most of the horticulturists in Shimla city who belonged to the Apple belt though being rich had a tendency of investing their surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc., for purposes of safety and suitability of returns.

Manish Mittal and Vyas[32], had viewed that Investors had certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers had scientifically shown that investors did not always act rationally. They had behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers had tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they made. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. Their paper had classified Indian investors into different personality types and explored the relationship between various demographic factors and the investment personality exhibited by the investors. The above discussion presents a detailed picture about the various facets of investment studies that have taken place in the past. In the present study, the findings of many of these studies are verified and updated.

Vanita and Tripathi[33], examined the perceptions, preferences and various investment strategies in Indian stock market. The study revealed that investors use both fundamental as well as technical analysis while investing in Indian stock market. Most of the respondents strongly agreed that various company fundamentals (such as size,

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32 Manish Mittal, and R. K. Vyas, 'Demographics and Investment Choice among Indian Investor", The ICFAI University, Journal of Behavioral Finance, 2007.

33 Vanita and Tripathi, "Investment Strategies in Indian Stock Market: A Survey", 15th May, 2008.

book to market equity, price earnings ratio, leverage etc.) significantly influenced stock prices.

Kannan and Thangavel[34], had stated that life insurance had today become a mainstay of any market economy since it offered plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs was , therefore, essential if we desired to progress towards a worry-free future.

Sastry[35], had viewed that India is among the important emerging insurance markets in the world and that life insurance will grow very rapidly over the next decades in India. He had stated that the major drivers of this growth include sound economic fundamentals, a rising middle class, an improving regulatory framework and rising risk awareness. Presently, life insurance is seen as a mechanism through which investors can receive a tax break only. Often, these considerations act as incentives to buy life insurance policies but people need to look at insurance as a long term saving instrument. There is a great need to study the awareness of the society on insurance to improve this situation.

Sanjay Kanti Das[36], conducted a study which revealed that in most cases investors across all categories found them to be safer in taking up the insurance policies.

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[34] Kannan, N. and Thangavel, N., "Overview of Indian Insurance Sector", Academic Open Internet Journal, Volume 22, 2008.

[35] Sastry V. S., "Indian Insurance Data Issues", Paper presented by Director General, Insurance Regulatory and Development Authority, Hyderabad at the seminar on ―Data Base Issues in Financial Sector at Mumbai, 13th March, 2010.

[36] Sanjay Kanti Das, "An Empirical Analysis on Preferred Investment Avenues among Rural and Semi-Urban published in Households" Journal of Frontline Research in Arts and Science, Vol. 01, 2009, pp.26-36.

A significant portion of investors also had shown keen preference towards unit linked insurance policies so as to get short term gains. It was also observed that most of the respondents showed their keen interest towards the insurance products so as to get tax benefits, life protection and average profitable investment avenues. This was perhaps the most striking features of general investors and the most important factor that influences the investment decisions. Further, it was observed that the level of income also influenced the investment decisions. Higher income group showed relatively high preference towards investment in share market, conversely lower and average income group showed keen preference towards insurance and banks as the most preferred investment avenues.

Syed Tabassum Sultana[37], concludes that the individual investor still preferred to invest in financial products which gave risk free returns. This confirmed that Indian investors even if they were of high income holders, well educated, salaried, and independent were conservative investors who preferred to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use TV as a marketing media as the investors seemed to spend long times watching TV shows.

Giridhari Mohanta and Sathya Swaroop Debasish[38], studied that investors invested in different investment avenues for fulfilling their financial, social and psychological needs. While selecting any financial avenue they also expect other typse

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[37] Syed Tabassum Sultana, "An Empirical Study of Indian Individual Investors Behavior", Global Journal of Finance and Management, Volume 2, 1st Number, 2010, pp.19-33.

[38] Giridhari Mohanta and Sathya Swaroop Debasish, "A Study on Investment Preferences among Urban Investors in Orissa" Prerna Journal of Management Thought and Practice, Volume: 3, Issue: 1, March, 2011, pp.1-9.

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.

N. Geetha and M. Ramesh[39], had revealed that maximum earners were in occupational category followed by private sector employees, public sector employees, self- employed and professional people taken sample for study. Another feature was that out of the total respondents 55.7 percent of private- sector employees performed well in the investment avenues and 29.5 percent of self-employed people and 16.2 percent of public sector employees performed in an average way in the investment field. By comparing their educational qualification with each other, it was seen that there was insignificant variation among the respondents. Graduate respondents paid more attention on investments at the level 29.5 percent, second preference given by the professionals at the level of 27.1 and post graduates at a percentage of 24.1 and 18.6 percentage followed by others.

Dhiraj Jains and Nakul Dashora[40], brought out certain characteristics of investors living in Udaipur. The ability to understand the judgment criteria like rationality and irrationality in investment pattern and behavior which enables the investor to be cautious as its consequences affect the lifestyle, asset value and relationship with other were analyzed by them. The study had also shown that investors preferred investment in both primary and secondary market instruments. Most of the decisions were rational

[39] Geetha. N and Ramesh. M, "A Study on People's Preferences in Investment Behavior", IJEMR, Vol. 1, Issue 6, November, 2011.

[40] Dhiraj Jains, Nakul Dashora, "A Study on Impact of Market Movements on investment Decision - An Empirical Analysis with Respect to Investors in Udaipur, Rajasthan", International Refereed Research Journal, Vol. 3, Issue 2(2), April, 2012, pp.78-88.

and influenced by the various information available in market. It was also found that investors preferred wait and watch policy for taking decisions, were very cautious and their decisions were influenced by various psychological factors and behavioral dimensions.

Based on the review it is found that many researchers had studied about the individual investment alternatives. This study attempts to cover the major seven investment alternatives forming part of the investment pattern of the respondents in addition to the area already discussed by other studies.

1.7 Methodology

The study was based on both primary and secondary data which were collected through various sources. The primary data was collected through questionnaires from teachers working in colleges at Madurai city belonging to varied profile of different age group, years of experience, varied income levels, designations and of different qualifications and working in different institutions. The secondary data was collected from journals, books, websites, and magazines. Apart from this for the collection of data various libraries, financial institutions, banks, post offices and the like were visited to gather reliable information. The experts in the field were contacted and fruitful discussions followed by purposeful guidance from them were obtained.

1.8 Framework of Analysis

The collected primary data was properly edited, coded and classified. Based on this, a master table was developed and thereby a number of small tables were drawn for the purpose of analysis. Different types of statistical tools such as percentage analysis, weighted average scores, weighted scoring technique and Garrett ranking were used in appropriate places to derive inferences and conclusion for the study. To assess the attitude of respondents towards the seven different investment avenues a five –Point Likert scaling technique was used to find the scores. To find out the significant differences that existed between two or more variables and to identify the factors influencing the perception of the investors over the other personal factors the Kruskal Wallis One Way ANOVA test was applied. The descriptive statistics method was used to calculate the mean scores, standard deviation and co-efficient of variation to find out overall view of the attitude scores of the respondents. In order to find out the perception scores relating the different investment alternatives the average scores were computed.

In order to test the significant difference in the opinion based on the profile of the respondents and factors considered while making investment decision Kruskal-Wallis Test has been used. The formula for the Kruscal Wallis Test is as follows:

$$H = \frac{12}{N(N+1)} \left(\frac{R_1^2}{n_1} + \frac{R_2^2}{n_2} + \ldots\ldots + \frac{R_k^2}{n_k} \right) - 3(N+1)$$

Where

$n_1, n_2, \ldots n_k$ are the number in each of k samples

$N = n_1+n_2+ \ldots + n_k$ and $R_1, R_2, \ldots R_k$ are rank sums of each sample.

In order to analyze the attitude of the respondents towards different investment alternatives the college teachers were asked to respond to 35 statements using Likert's five point-scale starting from "Strongly Agree" (5) to "Strongly Disagree"(1). These 35 statements were grouped for the seven investment alternatives with each of them consisting of five statements:

i) Equity

ii) Mutual fund

iii) Bank Deposits

iv) Post office savings schemes

v) Gold

vi) Real Estate

vii) Insurance schemes

The perception scores were classified into three groups:

(i) High perception: Scores above (Arithmetic Mean + Standard Deviation).

(ii) Moderate perception: Scores ranging from (Arithmetic Mean – Standard Deviation) to (Arithmetic Mean + Standard Deviation); and

(iii) Low perception: Scores less than (Arithmetic Mean – Standard Deviation).

Garret Ranking

The objectives and investment options were ranked according to the preference of the respondents and the various factors influencing the investment decisions and selecting of investment options .For ranking purpose Garret ranking had been used. In this technique the ranks were converted to percentile scores on a scale of 100 using the formula

PR= 100-(100R-50)/N

Where

PR= Percentile position

R= Rank assigned

N= Total number of ranks

The percentile position were concerted into scores by obtaining the corresponding values from the conversion table and finally the ranks were assigned in order

1.9 Period of the Study

For collection of secondary data last ten years viz., 2001-2010 were taken as the reference period. The required primary data were collected from college teachers in the form of questionnaire during the year 2011-2012.

1.10 Sampling Design and Pre-Test

With regard to primary data collection a well structured questionnaire was developed based on the objectives mentioned in the chapter. The questionnaire was pre-tested with 30 respondents based on their views and suggestions the vague aspects in the questionnaire further modified to have more accuracy and clarity in the answers of the respondents. The Copies of the questionnaire were distributed for the collection of data among selected college teachers working in twenty different arts and science colleges in Madurai city. These teachers were identified from the register maintained by the colleges. A random sampling method was undertaken for the collection of data. A sample size of 400 college teachers was chosen as respondents for this study. Among the distributed questionnaire 33 was not retrieved back for the respondents and 17 not completely filled by them. Hence 350 questionnaires were taken as it contained the complete information.

1.11 Construction of Tools

A questionnaire was framed and developed covering all aspects of the study based on series of discussions with the academic experts and financial advisors who was proficient and expert in the field of investment. The questionnaire was framed with the view to get clear details regarding the personal profile along with the social and economic data. It was also intended to gather details regarding the respondent's attitude towards various reasons for savings and objectives of investment. The tools for data collection were prepared in such a way that it enabled to collect information about the various factors influencing the investment decisions of the respondents and the perceptions of the respondents regarding the seven different investment alternatives.

1.12 Limitations of the Study

In spite of its strengths and uniqueness, the study is hedged with certain limitations. They are

- The study was restricted only to Madurai city.
- The findings were restricted to a small group of college teachers working in the city and may not represent the whole universe.
- Many financial terms were not understandable by the respondents the researcher had to help out to fill the questionnaire.
- This study pertains to a specific period and place and may be applicable to other periods and places if similar conditions exist in the particular time and place.

1.13 Scheme of the Report

The report of the study was organized and presented in seven chapters.

The first chapter forms the Introduction and design of the study. This in detail had sub divisions like introduction, statement of the problem, significance of the study, review of literature, methodology, design of the study, limitations and chapter scheme