

philosophy, goodwill of the organization and investment goals did have an impact in the investment decisions partially. Hence it is understood that the investor respondents considered the different factors while deciding on the investment options. The organization offering financial services were required to have clarity while formulating investment plans and offering products. They should consider the welfare of the investors and try to attract them towards more productive investment exercises.

## **Chapter - V**

### **Choice of Different Investment Alternatives**

#### **5.1 Introduction**

In this chapter, a critical review of various investment alternatives prevailing in the economy is presented. The rate of savings in India was fairly high during the last five years and therefore the rate of investment was also increasing as well. People had started to realize the ebb and flow of the financial market. Not all investors are the same in nature. Each one of them has different opinion about the investment portfolio which he should be having. The present study attempts to evaluate selected significant attributes of the very many investment alternatives before the investor. The major focus is given to the period of investment, the amount of investment, awareness relating to different investment options and the purpose for which the investment is done. The major determinants of investment decision are analyzed in this chapter. It comprises of reasons for selecting an investment option, the size of companies, sectors represented by the business, time horizon for investment and percentage allocated for the specific investment options.

#### **5.2 Equity Investment**

This type of instrument is issued by the companies to facilitate public participation in the capital of the company since the companies venture hard to maintain the market share or improve upon it. . The reputation of the stocks of the firms in the equity capital market is largely dependent on the companies themselves, because the price of the share is sustained by performance of the companies which is reflected in financial statements of the companies. The data published in the financial statements help the investor understand the present position and the future prospects of the company in the equity capital market. When the investors are satisfied, they make the investment and the money grows with the company according to the company's potentiality .In certain situations, the result may not be beneficial to the investor. The companies also provide regular dividends to these investors based on their dividend policy. Participants in the equity capital market range from huge companies to small individual investors. In the past, only wealthy individuals dominated the market, but market trends have changed now.

### **5.2.1 Reason for Investing in Equity Shares**

Each investor when choosing an investment option assimilates the reason as to why he is interested to invest in the particular investment option. The motivation for investment in a particular company's needs to be discerned because they tend to influence in the decision making along with other factors for investment.

The distribution of the respondents on the basis of the reasons considered while making investment in equity shares is shown in Table 5.1

**Table 5.1**

### Reasons for Investing in Equity Shares

S. No	Reasons for Investing	No of Respondents	Percentage
1	Short Term Gain	126	36.0
2	Tax savings	112	32.0
3	High returns	116	33.1
4	Safety	104	29.7
5	Regular income	92	26.3
6	Market fluctuation /revival	22	6.3
7	Dematerialized form	8	2.3

**Source:** Primary Data

From Table 5.1 it is evident that 126(36%) of the respondents invested in equity shares due to the reason that it resulted in short term gain and 112 respondents (32%) invested for the reason that they were able to get tax savings . But only 8 (2.3 %) respondents had stated that they invested as it comes in a dematerialized form. This shows that the many investors were not aware of equity investment at large and the benefits of maintaining securities in a dematerialized form.

#### 5.2.2 Size of Companies

According to the market capitalization the companies may be divided into small, mid and large cap companies. The investors are required to invest according to their ability and conditions of the economy to safeguard their investment value.

Choosing the best stock based on its market capitalization helps the investor to know their risk profile and facilitate them to protect their hard-earned money and earn high returns. Large-cap companies,<sup>49</sup> mid-cap companies and small-cap

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<sup>49</sup> [Stockshastra.com/market-capitalization-india-invest-largecap-midcap-smallcap-best-stocks/](http://Stockshastra.com/market-capitalization-india-invest-largecap-midcap-smallcap-best-stocks/) - Cached

companies contributed 80%, 15% and 5% of the total market capitalization respectively. This is known as the 80-15-5 method. The number of small-cap companies was large followed by mid-cap and large-cap companies. A small proportion of the total number of companies belonging to large-cap contributes the major part (80%) of total market capitalization.

$$\text{Market Capitalization} = \text{Market Price of share} \times \text{No. of Common Shares outstanding}$$

The distribution of the respondents on the basis of the companies preferred while making investment in equity shares is shown in Table 5.2

**Table 5.2**  
**Companies Preferred for Investment**

S. No	Companies Preferred	No of respondents	Percentage
1	Small cap	30	8.6
2	Mid cap	139	39.7
3	Large cap	181	51.7
Total		350	100.0

**Source:** Primary Data

From the Table 5.2 it can be seen that 181( 51.7%) respondents preferred to invest in big companies which had large capitalization and next to that 139 (39.7%) respondents liked to invest in midrange companies with medium capitalization and only a few respondents30( 8.6%) had invested in small micro enterprises.

### **5.2.3 Sectors Represented**

It is an important component in the equity investment portfolio as the sectors in which the investors invest their funds determine the income and capital growth of the stocks. In India certain sectors dominate and perform well in the industry promising

high propensity for growth. The respondents have to carefully analyze and go through the information from the annual reports of the companies before investing in equity stocks

The distribution of the respondents on the basis of the sectors preferred while making investment in equity shares is presented in Table 5.3

**Table 5.3**  
**Sectors Preferred for Investing in Equity Shares**

S. No	Sectors Preferred	No Of Respondents	Percentage
1	Real estate	0	0
2	Information Technology	35	10.0
3	Automobiles	29	8.3
4	Pharmaceuticals	65	18.6
5	Fast Moving Consumer Goods	71	20.3
6	Commodities	29	8.3
7	Financial services	19	5.4
8	Communication	33	9.4
9	Entertainment	51	14.6
10	Capital goods	4	1.1
11	Power	14	4.0
Total		350	100.0

**Source:** Primary Data

From the Table 5.3 it is seen that the respondent's preference towards sectors were widely distributed. Majority of the respondents 71 (20.3%) preferred to invest in FMGC sector followed by pharmaceutical sector and entertainment sector. Apart from these sectors the other sectors accounted for with lower percentage of shares.

#### **5.2.4 Types of Equity**

The investors should have a wide knowledge about the various types of equity shares which are available for investment. This helps them to have first hand information about the profile of the companies they have to consider while making investment decisions.

The distribution of the respondents on the basis of their preference for the types of equity shares while making investment is shown in Table 5.4

**Table 5.4**  
**Type of Equity Shares Considered for Investment**

S. No	Types of Equity shares	No of respondents	Percentage
1	Cyclical	42	12.0
2	Income	97	27.8
3	Speculative	36	10.3
4	Blue chip	84	24.1
5	Growth	65	18.6
6	Defensive shares	26	7.2
Total		350	100.0

**Source:** Primary Data

From the Table 5.4 it is seen that there existed a varied distribution in the different types of shares preferred by the respondents. Majority of the respondents, ninety seven of them (27.8%) liked to invest in income shares and next to that 84(24.1%) preferred to invest in blue chip shares. These shares formed part of the country's major indices like NIFTY and SENSEX as the movements of these stocks were closely monitored by various agencies and market regulators as they determined the economic progress of the country.

### **5.2.5 Time Horizon**

The time factor for investment in equity is highly important as the investors had to be cautious while deciding the duration of their investment. Too long or too short duration has to be avoided.

The distribution of the respondents on the basis of time frame chosen while making investment in equity shares is shown in Table 5.5

**Table 5.5**

**Time Horizon Chosen for Investing in Equity shares**

<b>S. NO</b>	<b>Time Horizon</b>	<b>No of respondents</b>	<b>Percentage</b>
1	Above one year	43	12.3
2	6 months to 1 year	84	24.0
3	3 to 6 months	101	28.9
4	Less than 3 months	122	34.8
Total		350	100.0

**Source:** Primary Data

From the Table 5.5 it is seen that the investors liked to invest in the equity shares for a period of less than three months as 122(34.9%) of them had chosen this period. This showed that they were not willing to take any long term risk. The respondents liked to get short term profits through market fluctuations but 43 (12.3%) among the respondents were willing to invest in equity shares for more than one year.

### **5.3 Mutual Fund**

A Mutual fund is a body corporate registered with Securities Exchange Board of India that pools money from individuals and body corporate and invests the same in a variety of different financial instruments or securities such as equity shares, Government securities, bonds, debentures etc. Mutual funds can thus be considered as financial intermediaries in the investment business that collected funds from the public and invested on behalf of the investors. Mutual funds issue units to the investors. The appreciation of the portfolio or securities in which the mutual fund had invested the funds leads to an appreciation in the value of the units held by investors which is termed

to be NAV (Net Asset value). The investment objectives outlined by a mutual fund in its prospectus are binding on the mutual fund scheme.

### 5.3.1 Reasons for Investment

There are various reasons for the investors for investing their funds in mutual funds. Investors have a blurred picture regarding equity investment due to lack of financial knowledge and their inability to assess market trends. But mutual funds are expertly managed which instill confidence among the investors. Investors pay a nominal fee to the fund managers to get their guidance in investing in shares. The fund managers help the investors in the selection of securities.

The distribution of the respondents on the basis of the reasons considered while making investment in mutual funds is shown in Table 5.6

**Table 5.6**  
**Reasons for Investing in Mutual Funds**

S. No	Reasons For Investing In Mutual Funds	No of Respondents	Percentage
1	Capital Appreciation	146	41.7
2	Tax savings	161	46.0
3	Regular income	108	30.9
4	Expert managed	41	11.7
5	Diversified	13	3.7

**Source:** Primary Data

It is observed from the Table 5.6 that the major reason for investing in mutual funds is tax savings (46%). Many schemes offered by the companies provide tax

benefits to the investors. More over tax benefits are a vital factor for the college teachers to consider investing their funds. They also invest because they could get capital appreciation (41.7%). It is noted that only very limited investors had stated that diversification of their funds as one of the (3.7%) reasons for investment.

### 5.3.2 Types of Mutual Funds

More than 1000 schemes are operated by different investment companies all over India. The investors have a wide chance of investing in variety of schemes offered through different schemes. The important criteria for investment are the investors need to decide about the proportion of Debt Equity mix before selecting the type of schemes. This would largely depend on the investment objectives of the investors and their requirement of liquidation and risk taking ability.

The Distribution of the respondents on the basis of the types of mutual fund schemes preferred while making investment was shown in Table 5.7

**Table 5.7**

#### **Awareness and Preference among Respondents on the Mutual Fund Schemes**

<b>S. No</b>	<b>Schemes of Mutual Fund</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Index based Fund	189	54.0
2	Debt Fund	48	13.71
3	Balanced Fund	96	27.4
4	Liquid fund	96	27.4
5	Exchange traded Funds	51	14.6

**Source:** Primary Data

From the Table 5.7 it is seen that the investors were highly aware about the index schemes as 189 (54%) respondents were cognizant of these schemes and this is trailed by balanced and liquid schemes. It is also observable that there is a low level of

awareness regarding the debt and exchange traded funds as they were accounted for only (13.71%) and (14.6 %).

### 5.3.3 Types of Schemes

No single mutual fund was found suitable for the vast variety of investors. They chose a scheme depending upon their need, objective and risk taking capacity. Different types of schemes were available in mutual funds which are explained below. Different companies offered similar schemes under varied names.

The Distribution of the respondents on the basis of the types of schemes preferred while making investment in mutual funds is shown in Table 5.8

**Table 5.8**  
**Types of Schemes Selected for Investment**

S. No	Types of Mutual Fund Schemes	No of Respondents	Percentage
1	Growth Schemes	22	6.3
2	Income Schemes	62	17.7
3	Tax Saving Schemes	131	37.4
4	Balanced schemes	110	31.4
5	Exchange traded funds	25	7.2
Total		350	100.0

**Source:** Primary Data

From the Table 5.8 it can be seen that a majority of the respondents invested in tax saving schemes (37.4 %) and 110 Of them (31.4 %) invested in balanced schemes. The income generating schemes were selected by (17.7%). The investors had shown a hesitant gesture to exchange traded funds and growth schemes.

#### **5.3.4 Choice of Companies**

The concept of mutual funds in India dates back to the year 1963. The era between 1963 and 1987 marked the existence of only one mutual fund company in India viz., the Unit Trust of India with Rs. 67 billion as assets under management (AUM). By the end of the 80s<sup>50</sup>, few other mutual fund companies in India emerged in the mutual fund market. They were SBI Mutual Fund, Can Bank Mutual Fund, Punjab National Bank Mutual Fund, Indian Bank Mutual Fund and Bank of India Mutual Fund. The private sector funds started penetrating the fund families. In the same year the first Mutual Fund Regulations came into existence with re-registering all mutual funds except UTI. The regulations were further given a revised shape in 1996. Kothari Pioneer was the first private sector mutual funds company in India which was now merged with Franklin Templeton. Just ten years after private sector player's penetration, the total assets rose up to Rs.. 1218.05 bn. Today there are 33 mutual fund companies in India. Major possible choices of companies are given to find out the most preferred types which the respondents took into consideration for investing in mutual fund schemes.

The Distribution of the respondents on the basis of the choice of mutual fund companies preferred while making investment is shown in Table 5.9

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<sup>50</sup> Mutual Fund Companies in India - Finance – IndiaMART finance. indiamart. com/india.../mutual\_fund\_companies.html

**Table 5.9**  
**Choice of Mutual Fund Companies**

<b>S. No</b>	<b>Choice of Mutual Fund Companies</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Private- Indian	181	51.7
2	Private foreign	35	10.0
3	Joint ventures	66	18.9
4	Bank sponsored	68	19.4
Total		350	100.0

**Source:** Primary Data

From the Table 5.9 it is observed that most of the respondents 181(51.7%) had invested in mutual fund through private companies. and 68 (19.4%) had selected mutual fund investment via banks. only 35 (10%) had invested in private foreign companies.

### **5.3.5 Time Horizon**

Each investment alternative has different time horizons which will be suitable for the investors to get possible returns at the time of the expected need. . The probable period of time preferred by the respondents is discussed below.

The Distribution of the respondents on the basis of the time frame chosen for investment in mutual fund schemes is shown in Table 5.10.

**Table 5.10**  
**Time Horizon Considered for Investing in Mutual Fund Schemes**

<b>S. No</b>	<b>Time Horizon</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Less than 3 months	27	7.7
2	3 to 6 months	66	18.9
3	6 months to 1 year	116	33.1
4	Above 1 year	141	40.3
Total		350	100.0

**Source:** Primary Data

From the table 5.10 it is realized that respondents would like to choose a time frame of above one year as many of them 141 (40.3%) had felt that it was highly suitable. Secondly 116 (33.1%) of them found that a period of six months to one year to be appropriate but 27 (7.7%) had said they considered three to six months to be suitable. This shows that the investors found more than one year to be a compatible time frame to invest and reap benefits through mutual fund investment.

## **5.4 Bank Deposits**

The Indian banking and financial system had made commendable progress in extending their geographical spread and functional reach. The spread of the banking system had been a major factor in promoting financial intermediation in the economy and in the growth of financial savings. The government is taking stringent measures to facilitate the people to transact all their financial dealings through banks.

### **5.4.1 Types of Deposits**

Banks offered various types of deposits to suit investor needs. Most commonly all the banks offered same kinds of deposit but with small variations and in different names. The investors needed to know about the service performance and interest rates to choose the type of deposits.

The distribution of the respondents on the basis of the types of bank deposits they rate as a profitable means of investment is shown in table 5.11

**Table 5.11**  
**Bank Deposits Rated as Beneficial Investment**

S. No	Types of Deposits	No of Respondents	Percentage
1	Savings	3	0.9
2	Recurring	119	34.0
3	Fixed	195	55.7
4	Demand	33	9.4
	Total	350	100.0

**Source:** Primary Data

From the Table 5.11 it is found that most of the respondents considered fixed deposits to be a good investment option as 195 (55.7%) of them had opted for it. Next preference was given to the recurring deposit as 119 (34%) were disposed towards it. And only three of the respondents had stated that savings deposit can be viewed as an investment option. This may be due to the reason that certain banks had combined savings and fixed deposit facility together, if the funds were not withdrawn for certain periods. They also offered higher rate of interest for such balances.

#### **5.4.2 Nature of Banks**

Indian economy has the presence of different types of banks. The banking deregulation had paved way for the emergence of many private banks and foreign banks to exist together with the nationalized banks. A simplest form of bank deposits can be made by the investor in a most sophisticated manner because of the presence of wide range of banks offering of modernized services.

The distribution of the respondents on the basis of the types of banks chosen for depositing their funds is shown in Table 5.12

**Table 5.12**  
**Type of Banks Chosen for Depositing Funds**

S. No	Type of Banks Chosen for Deposit	No of respondents	Percentage
1	Nationalized banks	296	84.5
2	Indian private	44	12.6
3	Foreign Banks	10	2.9
Total		350	100.0

**Source:** Primary Data

From Table 5.12 it is evident that majority of the respondents viz., 296 (84.57%) preferred to deposit in the nationalized banks and 44 (12.6%) of them had given their opinion that they would prefer private banks and finally only 10 of them said that they preferred foreign banks. This implies that people had high level of confidence in the nationalized banks as they function under government control under the regulation of the Reserve Bank of India. They considered that their funds should remain safe rather than get them higher returns under risk conditions. Nationalized banks offered safety and security of funds rather than promising higher returns under risk and uncertainty.

#### **5.4.3 Reason for investing in Bank Deposits**

This preferred form of investment option might have many reasons because the concept of banking is easily understood rather than other types. But it required knowing the major reason for which the respondents likes to deposits their savings in bank account.

The Distribution of the respondents on the basis of reasons for investing in deposits was shown in Table 5.13.

**Table 5.13**  
**Reasons for Investing in Bank Deposits**

S. No	Reason for Investing	No of Respondents	Percentage
1	Safety	266	76.0
2	Moderate return	220	62.9
3	High liquidity	213	60.7
4	Approachability	61	17.4
5	Additional features	34	9.7
6	Less procedure	13	3.7

**Source:** Primary Data

It is observed from the Table 5.13 that the major reason for investing in bank deposit was safety as 266 (76%) of the respondents felt it ensures protection for the funds they had invested. This may be due to the known fact that majority of the banks were nationalized and respondents had confidence in them. Secondly banks though provided moderate returns, 220 (62.9%) of the respondents were of the opinion that instead of keeping idle funds at home or being reluctant to invest in other investment modes at least the funds would earn a minimum return if they were invested in the banks. Thirdly 213 (60.7%) of the respondents said that the investments in banks had high level of liquidity. But only 13 (3.7%) of the respondents felt that simple procedure for saving in a bank to be a reason. It is also found that only (17.4%) of the sample had felt that easy approachability or cordial treatment to be a reason to choose banks for investment purpose.

#### **5.4.4 Proportion of the Bank Deposits**

Every investor had a positive attitude towards including bank deposits in their investment pattern .Because they considered them as highly safe and liquid. The percentage of funds which they allocate towards the deposits influences the decision of asset allocation to the other investment options.

The distribution of the respondents on the basis of percentage of investment made in bank deposits is shown in Table 5.14

**Table 5.14**  
**Percentage of Investment in Bank Deposits**

<b>S. No</b>	<b>Proportion of Bank Investment</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Less than 10 percent	134	38.3
2	10 to 25%	140	40.0
3	25 to 50%	44	12.6
4	More than 50 %	32	9.1
Total		350	100.0

**Source:** Primary Data

From the Table 5.14 it is evident that 140 (40%) of the respondents allotted 10 to 25 % of their savings to bank deposits in various schemes and 134(38.3%) invested less than 10 % of their savings on various deposits but 32 (9.1%) channeled more than 50 % of their savings in banks to deposits which shows that they preferred to invest their money in bank deposit rather than investing in any other investment alternatives.

#### **5.4.5 Opinion towards Bank Services**

It is highly essential to know about the respondent's attitude towards the banking services. Opinion differs from people to people. The satisfaction level needs to be understood to consider for positive changes as this would be highly helpful for the management to take appropriate steps to achieve higher satisfaction level among the investors.

The distribution of the respondents on the basis of their opinion towards bank services while investing on bank deposit schemes is shown in Table 5.15

**Table 5.15**  
**Opinion Regarding Safety and Services Relating To Bank Deposits**

S. No	Opinion Regarding Safety	No of Respondents	Percentage
1	Highly satisfied	111	31.7
2	Moderately satisfied	85	24.3
3	Comparatively safer than other investment options	114	32.6
4	Not at all satisfied	40	11.4
Total		350	100.0

**Source:** Primary Data

From the Table 5.15 it can be seen that 111 (31.7%) of the respondents felt that they were highly satisfied with the safety aspects and services offered by banks. Nearly 114 (32.6%) of the respondents rated banks deposits to be safer and the banks were good service providers when compared to other investment options. But the major concern from the inference is that 40 (11.4%) of the respondents had said they were not at all satisfied with the bank services.

## **5.5 Post Office Savings Schemes**

The government offers many types of savings schemes to encourage the public to invest in small fractions and to enable them to participate in the national development of the country. Post office is one of the most viable medium through which people could be encouraged to invest in various schemes. These schemes cater to the investment needs of all types of investors.

### 5.5.1 Types of Post Office Schemes

There are different types of schemes which the investor can choose for investment in post office small savings schemes. The investors should find out and make themselves aware about the options available taking into account their investment objective.

The distribution of the respondents on the basis of awareness regarding the types of post office saving schemes is shown in Table 5.16

**Table 5.16**  
**Awareness of the Type of Post Office savings Schemes**

S. No	Post Office Savings Schemes	No of Respondents	Percentage
1	Post office savings scheme	105	30.0
2	Post office recurring deposit	224	64.0
3	Post office Time deposit	46	13.1
4	Post Office Monthly Income Scheme	34	9.7
5	National savings scheme	36	10.3
6	Indira Vikas Patra	18	5.1
7	15 years Public Provident Fund	80	22.9

**Source:** Primary Data

It is evident from the Table 5.16 that 224 (64%) respondents were aware of the post office recurring deposit scheme and had invested in it. Secondly the respondents had invested small amounts in the post office saving deposits. The other schemes of post office small savings were not seemed to be much in demand by the respondents. It is also noted that 80(22.9%) of the respondents had invested in public provident fund scheme. Hence it is observed that other types of post office savings schemes should be popularized among the income earners so that they are channelized into productive economic development.

### 5.5.2 Reasons for Investing in Post Office Savings Schemes

Each investment options focuses on a specific reason to choose it to be a part of the investment asset. Likewise the respondents had reason to choose post office small savings schemes as a part of their investment culture. The reason which they considered important will dominate their attitude while investing in such an asset.

The distribution of the respondents on the basis of the reasons for investing in post office saving schemes is shown in Table 5.17

**Table 5.17**  
**Reasons for Choosing Post Office Savings Schemes**

S. No	Reasons for Investing in Post Office Savings Schemes	No of Respondents	Percentage
1	Capital appreciation	116	33.1
2	Tax savings	95	27.1
3	Regular income	41	11.7
4	Safety	156	44.6
5	Affordable savings	84	24.0
6	Near to residential area	31	8.9
7	Government entity	31	8.9

**Source:** Primary Data

It is seen from Table 5.17 that the significant reason for investing in post office small savings schemes was safety as 156 (44.6%) of the respondents felt the same and 116 (33.1%) of them identified capital appreciation was the reason and 84 (24%) viewed it to be affordable savings as they can make small convenient deposits or monthly payments. Apart from that 31(8.9%) of the respondents found it convenient as it was nearer to the residential area. They had confidence in this institution because it was run by the Government.

### 5.5.3 Percentage of Investment in Post Office Schemes

It refers to the share of the amount of savings invested in post office small savings schemes. The total allocation could be invested in a single scheme or it may be distributed among different schemes.

The distribution of the respondents on the basis of the percentage of investment done in post office saving schemes is as shown in Table 5.18.

**Table 5.18**

#### Percentage of Investment in Post Office Savings Schemes

S. No	Proportion Of Funds Allocated Towards Post Office Savings Schemes	No of Respondents	Percentage
1	Less than 10 %	212	60.6
2	10 to 25 %	93	26.6
3	25 to 50 %	45	12.9
4	More than 50 %	3	0.9
Total		350	100.0

**Source:** Primary Data

From the Table 5.18 it is seen that 212(60.6%) of the respondents invested only less than 10% of the amount into small savings. It was also found that 93(26.6%) of the

respondents contributed 10 to 25 % of their saving in the post office savings schemes. Only meager percentages of the savings of the investors were deposited in post office small savings.

#### 5.5.4 Time Frame

This refers to the time horizon found sufficient to commit the funds in post office savings schemes and this depends upon the investor's attitude. It also makes the investors to plan or decide for the duration to which the investment could be committed.

The distribution of the respondents on the basis of time frame chosen for investment in various post office savings schemes is shown in Table 5.19

**Table 5.19**

**Choice of Duration of Investment in Post Office Savings Schemes**

S. No	Duration of Post Office Savings Schemes	No of Respondents	Percentage
1	Less than 5 years	182	52.0
2	5 to 10 years	128	36.6
3	10 to 15 years	40	11.4
Total		350	100.0

**Source:** Primary Data

From the Table 5.19 it is seen that respondents would like to choose a time frame for keeping the investment in post office schemes. many of them 182 (52.07%) respondents had said that keeping the investments in the post offices for above five years was highly suitable and secondly 128 (36.6%) of the respondents found that 5 to 10 years would be appropriate but 40 (11.4%) had said they felt 10 to 15 years would be convenient. This indicates that investors were willing to invest their funds for a

longer time frame in post office savings schemes considering the amount of investment and the value additions they would likely to earn through such investments.

## **5.6 Investment in Gold**

India is the world's largest consumer of gold and is estimated to have imported close to a thousand tonnes in 2011.<sup>51</sup> Although imports had dropped following the increase in customs duty in the 2012, the value of imports continues to remain high responding to the rise in prices and the weakening of rupee. Despite the import drop, domestic gold prices continue to rule high with the yellow metal being seen as a strong hedge against inflation. Indians households possess the largest stock of gold in the world even though South Africa is the largest producer of gold. Whilst over 50 per cent of gold ornaments was bought for weddings, the wedding anniversary had now become the most singular occasion for buying gold today.

### **5.6.1 Types of Investment**

Indians were the largest buyers of natural gold. Now it had been recognized for its value as an asset and added to the investment portfolio. Investments in gold were made through gold coins, gold ornaments, gold bullion, gold futures and gold exchange traded funds. Investors had to choose the investment option in gold according to their affordability. Gold ornaments carried high emotions and an intrinsic value in real sense. The investors also showed interest on similar lines.

The distribution of the respondents on the basis of the types of gold investment selected is shown in Table 5.20

**Table 5.20**

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<sup>51</sup> [www.gold.org](http://www.gold.org)

### Types of Gold Investment Chosen

S. No	Types of Investment In Gold	No of Respondents	Percentage
1	Gold jewelry	243	69.4
2	Gold coins	179	51.1
3	Exchange traded Funds ( paper Gold )	33	9.4
4	Gold bars	5	1.4

**Source:** Primary Data

From the Table 5.20 it is seen that the majority of the respondents 243 (69.4%) were willing to invest in gold in the form of jewelry as this was the most preferred form of investment which had multiple utility. Secondly 179 (51.1%) of the respondents were interested to invest in the form of coins as this had a high liquidity with minimum loss in conversion into cash. Only 33 of the total sample size were willing to invest in the form of exchange traded funds. The reason for not investing in the form of paper gold might be that investors were not aware of the mode of investment or they hesitated to invest in that form of gold because they were not used to it. Proper guidance was needed to open avenues for this type of investment.

#### 5.6.2 Reason for Investment in Gold

Gold investment was the most favorite of the options of the investors to choose in their investment portfolio. They proved to be more beneficial to the investors because it minimized the losses resulting from a stock market plunge and rising inflation levels. Every analyst is suggesting that a small portion of the investors corpus to be invested in gold.

The distribution of the respondents on the basis of the reasons for opting for investment in gold is shown in Table 5.21

**Table 5.21**  
**Reasons for Choosing Gold as an Investment Option**

S. No	Reason for Investing in Gold	No of Respondents	Percentage
1	Capital appreciation	174	49.7
2	Easily available	75	21.4
3	Status symbol	48	13.7
4	Regular income	30	8.6
5	Safety	134	38.3
6	Less formalities	34	9.7
7	Highly liquid	83	23.7
8	Hedge against inflation	29	8.3

**Source:** Primary Data

From the Table 5.21 it is seen that a majority of the respondents 174 (49.7%) felt that capital appreciation was the driving force towards gold investment and 134(38.3%) had stated that it was safe to invest in gold as it came mostly in physical form and 83(23.7%) felt that it had high liquidity at the time of emergency. The least reason ascribed was it acted as a hedge against inflation was supported by 29(8.3%) respondents. According to the financial experts the most significant reason for investment in gold was that it acted as a hedge against inflation but the investors lacked awareness on this score.

### **5.6.3 Percentage of Investment**

Gold investment is a preferred option. The proportion of investment on different forms of gold fixes up channelizing funds to other investment options. The percentage

of investment in gold is much important for the country which decides about the capital formation.

The distribution of the respondents on the basis of percentage of gold investment adopted is shown in Table 5.22.

**Table 5.22**  
**Percentage of Investment in Gold**

<b>S. No</b>	<b>Percentage of Investment</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Below 10 %	127	36.3
2	10 to 25 %	147	42.0
3	25 to 50 %	75	21.4
4	Above 50 %	1	0.3
Total		350	100.0

**Source:** Primary Data

Table 5.22 points out that 147 (42.0 %) of the respondents invested 10 – 25 percent of their savings in gold. It was also found that 127 (36.3%) invested less than 10 per cent and 75 (21.4%) invested 25 to 50 percent in gold. Hence it is seen that respondents felt that they should invest a respectable percentage of their savings in gold to fulfill various goals of investment adhering to minimum risk

#### **5.6.4 Time Frame**

Time frame refers to the duration until which the investment lies with the asset before it is liquidated or withdrawn. It determines that the objectives with the funds are allocated to that specific investment option. It ranges from months to years and it highly depends on the market conditions and need orientation.

The distribution of the respondents on the basis of time frame chosen for gold investment was shown in Table 5.23

**Table 5.23**

**Time Frame Chosen by the Respondents for Gold Investment**

<b>S. No</b>	<b>Time Frame Chosen for Gold Investment</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Less than 2 months	2	0.6
2	2 to 6 months	21	6.0
3	6 months to 2 years	103	29.4
4	2 to 5 years	94	26.9
5	More than 5 years	130	37.1
Total		350	100.0

**Source:** Primary Data

From the Table 5.23 it is seen that respondents would like to choose a time frame of above five years for keeping their investments in gold. One hundred and thirty (37.1%) of the respondents had said that it was highly suitable to gain long term appreciation in value and secondly 103(29.4%) found that a time frame of six months to two years to be appropriate for maintaining their investment in gold but 94 (26.9%) had said they felt two to five years to be highly suitable. This indicates that investors were willing to take up a longer time frame while investing in gold since volume of appreciation of gold in value was certain to go up several times was likely to be there.

**5.7 Real Estate Sector**

The real estate sector in India had boomed into one of the major investment sectors to-day. This business is playing an important role in the growth of the country's economy in the present situation. There were various developments taking place in the real estate sector with more number of apartments, individual houses and villas constructed in a faster pace. Various factors were responsible for the growth of this sector and its emerging trends.

Another key factor for the development of real estate in various forms in India was due to the kind of policies adopted by the government to enable the investor to have easy investments in these types of assets. In the past few years, the government of India's FDI policy encouraged other countries to invest in Indian real estate business. There was a rapid growth in the commercial, residential and retail sectors of India in metro cities like Mumbai, Delhi, Bangalore and Chennai.

### 5.7.1 Methods of Investment

It is a form of investment where primarily investment could be made in the land and house property. If the investor thinks beyond he can invest in the form of exchange traded funds. But it needs careful consideration and much time consuming compared to other investment outlets. The distribution of the respondents on the basis methods of investment made in real estate sector was shown in Table 5.24.

**Table 5.24**  
**Methods of Investing in Real Estate Sector**

S. No	Methods of investment	No of respondents	Percentage
1	Land	134	38.3
2	House property	198	56.6
3	ETF	11	3.1
4	Commercial complex	7	2.0
Total		350	100.0

**Source:** Primary Data

From Table 5.24 it is seen that respondents would like to invest in take house property as they considered it as the best form of investment. Respondents numbering

198(56.6%) had given their opinion In favor of investment in house properties. Around 134 (38.3%) of them had stated that they found land property to be a good form of investment. It was seen that ETF or investment in commercial complex was not found to be of much appeal in the consideration of the investors. The respondents mostly favored investing in house property, or land in the real estate sector.

### 5.7.2 Reasons for Investment

There may be different reasons for investing in real estate. The first and the foremost was need based and it also promised high capital appreciation in spite of market fluctuations.

The distribution of the respondents on the basis of reasons considered while making investment in real estate asset is shown in Table 5.25

**Table 5.25**

#### Reasons Considered for Investment in Real Estate

S. No	Reasons For investing in Real Estate	No of Respondents	Percentage
1	High Capital Appreciation	209	59.71
2	Easily Available	35	10.0
3	Status Symbol	29	8.29
4	Regular Returns	23	6.6
5	Safety	120	34.29
6	Life Time Investment	125	35.71

**Source:** Primary Data

From the Table 5.25 it can be seen that 209(59.71%) respondents felt the reason for investing in real estate was that it provided high capital appreciation and secondly a large number of respondents 125 in number (35.71 %) opted for life time investment

and (34.29 %) were interested in investments in real estate business for safety. It was seen that only 23 (6.6%) they invested in this form of asset as it gave regular returns. This argument can be accepted only when the real estate property was to be are rented out as it can fetch regular returns. If not, the asset results in capital appreciation.

### 5.7.3 Percentage of Allocation

Investment in real estate needs allocation of higher percentage of resources. It cannot be allocated only from savings but depends on borrowed capital also.

Investments in these types of assets can be done through borrowed funds.

The allocation of percentage of respondents on the basis of investment made in real estate asset is shown in Table 5.26

**Table 5.26**

**Percentage of Investment Considered in Real Estate Asset**

S. No	Percentage Of Investment in Real Estate	No of Respondents	Percentage
1	Below 10 %	62	17.7
2	10 to 25 %	163	46.6
3	25 to 50 %	90	25.7
4	Above 50 %	35	10.0
Total		350	100.0

**Source:** Primary Data

From the Table 5.26 it is discernable that 163 (46.6 %) of the respondents invested 10 – 25 % of their savings in real estate sector. It was also found that 90 (25.7%) of the respondents invested 25 to 50% and 62 (17.7%) invested less than 10 % in real estate business. Hence it was observed that if the investors invested an considerable percentage of their savings in real estate they would be able to fulfill

their various goals in life. By doing so they will be able to achieve high capital appreciation with minimum risk involvement.

#### 5.7.4 Time Frame

The period of investment in the for real estate sector ranged between months to years depending upon the mindset of the investor and the prevalent trend in the society.

The distribution of the respondents on the basis time frame for investment in real estate was shown in Table 5.27

**Table 5.27**  
**Time Frame for Investment in Real Estate Sector**

S. No	Time Frame	No of Respondents	Percentage
1	Less than 1 year	19	5.4
2	2 to 5 years	122	34.9
3	5to 10 years	96	27.4
4	More than 10 years	113	32.3
Total		350	100.0

**Source:** Primary Data

From the Table 5.27 it is seen that respondents would like to choose a time frame of two to five years as majority of 122 (34.9%) of the respondents had felt that it was highly suitable to make fairly long term investment which resulted in appreciation of value of the property. Secondly 113(32.3%) of the respondents found a time frame of above 10 years to be appropriate but 96 (27.4%) had felt five to 10 years to be highly conducive. This indicates that investors were willing to take up a longer time frame while investing in real estate as a fair amount of appreciation is assured.

#### 5.8 Insurance Policies

Insurance is a form of risk management that is primarily used to hedge the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another in exchange for a sum of money termed to be a premium. An insurer is a company that sells insurance policies and the insured or the policyholder is a person or entity buying the insurance.

Insurance business occupies an important place in the complex modern world, since risk, which can be insured, had increased enormously in every walk of life. This had led to growth in the insurance business and evolution of various types of insurance covers. The insurance sector mobilized the savings of the people and acted as a financial intermediary. It also served as a promoter of investment activities. It played a significant role in the economic development of a country, while economic development itself can facilitate the growth of the insurance sector and vice versa.

### **5.8.1 Types of Policies**

Life insurance provides financial security to the family of a policyholder in the event of death. These types of policies were considered to be the most popular among the investors, as most people wanted to ensure that their family members remained financially secure in the event of their death. But till date, only 20 per cent of the total insurable population of India was covered under various life insurance schemes. The penetration rates of health and other non-life insurances in India was also well below the international level. These facts indicate the immense scope for the growth of the insurance sector in India. At present there were 22 life insurance companies offering different products to suit to the needs of the customers. Life insurance contracts not only allows an individual to have a risk cover against any unforeseen calamity of the future

but also provided funds for meeting educational needs, retirement needs, and tax planning via investment option and savings schemes .

The distribution of the respondents on the basis types of insurance policy chosen for investment is shown in Table 5.28

**Table 5.28**  
**Types of Policies Chosen by the Respondents**

S. No	Types of Policies	No of Respondents	Percentage
1	Whole life policy	120	34.3
2	Endowment policy	117	33.4
3	Term policy	47	13.4
4	Money back policy	199	56.9
5	ULIPS	20	5.7
6	Pension plan	49	14.0
7	Educational plan	23	6.6

**Source:** Primary Data

From the Table 5.28 it is seen that 199(56.9%) of the respondents had chosen money back policy and 120(34.3%) of them had taken whole life policy and 117(33.4) of the respondents had taken endowment policy. Only 20 of them had invested in ULIPS as these were linked to the capital market. Hence it can be surmised that the respondents were cautious in selecting their investment schemes in insurance sector.

### **5.8.2 Reasons for Investing in Life Insurance Policies**

The reason for taking a Life insurance policy differs from investor to investor. Some of them take a policy with for risk coverage and others for investment purposes and as a tax savings tool. Many schemes were offered by the insurance sector. Detailed informational analysis is needed before taking an Life insurance policy.

The distribution of the respondents on the basis of their reasons for taking insurance policies is shown in Table 5.29.

**Table 5.29**  
**Reasons for Taking Life Insurance Policies**

<b>S. No</b>	<b>Reasons</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	High capital appreciation	37	10.6
2	Element of protection	158	45.1
3	Tax savings	171	48.9
4	Regular returns	118	33.7
5	Safety	84	24.0
6	Need based investment	48	13.7

**Source:** Primary Data

From the Table 5.29 it is observed that nearly 171(48.9%) of the respondents stated that the major reason for opting for an insurance policy was for tax savings purposes. Most of the policies were offered by the organization with tax exemptions

and thirdly 158 (45.1%) had said that the policies were sought after as an element of protection against risk of life factor and only a minimum percentage (10.6%) said it was chosen for the reason that policies offered capital appreciation when invested for long term.

### 5.8.3 Organization Selected for Taking Policies

Insurance companies work under various types of management and the sole major player in the market is Life Insurance Corporation. There are also other Indian and foreign private companies which offer insurance plans. The respondents considered the attribute of servicing the claims by these organizations before choosing a particular organization.

The distribution of the respondents on the basis of preference of the organizations is shown in Table 5.30

**Table 5.30**

#### **Preference of Organization for Taking Life Insurance Policies**

<b>S. No</b>	<b>Nature of organization</b>	<b>No of Respondents</b>	<b>Percentage</b>
1	Public	297	84.9
2	Private	17	4.9
3	Bank Assurance	36	10.2
Total		350	100.0

**Source:** Primary Data

From the Table 5.30 it is obvious that 297 (84.9%) of the respondents in the sample size preferred public sector and 36 (10.3%) of them preferred to take insurance policies in banks because banks are involved in cross selling of products .The respondents least preferred the private organizations as they wanted to have safety for

the funds and also timely service claims. This makes clear that private organization in the life insurance sector needs to market their products in better way gaining customer's confidence.

#### 5.8.4 Percentage of Investment

The allocation of amount towards payment of premium for a particular insurance policy is termed to be the percentage of investment. The payments are made either monthly, quarterly, half yearly and annually. Based on the convenience of the policy holders this could be decided by the policy holders. The insurance corporation operates through agents. There are many agents who do this insurance business for commission through the country

The Distribution of the respondents on the basis of percentage of funds invested in insurance policies was shown in Table 5.31

**Table 5.31**  
**Percentage of Funds in Life Insurance policies**

S.No	Percentage of Allocation towards Payment of Premium on Insurance Policies	No of Respondents	Percentage
1	Below 10 %	173	49.4
2	10 to 25 %	146	41.2
3	25 to 50 %	29	8.3
4	Above 50 %	4	1.1
Total		350	100.0

**Source:** Primary Data

From the Table 5.31 it is seen that most of the respondents 173(49.4%) paid less than 10 per cent of their savings as premium and 146 (41.7%) of the respondents paid for life policies up to 10 to 25 per cent of their savings. Only four (1.1%) of the

respondents were investing more than 50 per cent of their savings as premium towards their insurance policies. It is also seen that majority of the respondents were paying monthly premiums.

### 5.8.5 Time Frame

The time frame for taking policies should be decided appropriately by the investor and this should be done taking the future expenses into consideration. The policies will have a longer time frame and withdrawal in between can be done only through surrendering of the policies which will not be profitable for the investors .

The distribution of the respondents on the basis of time frame chosen for investing in life insurance policies is shown in Table 5.32

**Table 5.32**  
**Time Frame for Investment in Life Insurance Policies**

S. No	Time Frame	No of Respondents	Percentage
1	Less than 1 year	33	9.4
2	2 to 5 years	78	22.3
3	5to 10 years	66	18.9
4	More than 10 years	173	49.4
Total		350	100.0

**Source:** Primary Data

From the Table 5.32 it can be seen that respondents would like to choose a time frame of above 10 years as 173 (49.4%) of the respondents had said that it is highly conducive to make fairly long term investment which resulted in the appreciation of value, tax exemptions and risk coverage .Secondly 78(22.3%) of the respondents felt 2

to 5 years to be appropriate. But 66 (18.9%) of them had said they felt 5 to 10 years to be highly suitable. This revealed that investors were willing to take up a longer time frame while investing in insurance policies.

## **5.9 Conclusion**

In this chapter a detailed discussion regarding the choice of difference alternatives was made using simple percentage analysis. In the next chapter the attitude and perception of the respondents are studied.

# **Chapter-VI**

## **Attitude of Investors towards Different investment Alternatives**

### **6.1 Introduction**

Investment refers to investing money in financial or physical assets which may be marketable or non -marketable assets. Major investments avenues have features such as safety, liquidity, marketability, capital growth, return risk, purchasing power stability and other benefits. These features enable an ordinary investor to make a comparative study without using scientific tools. Whenever the investor likes to take an investment