CHAPTER -I

INTRODUCTION

Investment is the employment of funds with an aim of getting return on it. In general, investment means the use of money in the hope of multiplying more money. In finance, Investment is the commitment of funds, which have been saved from current consumption with in this hope that some benefits will be received in future. It is a real challenging for the Investors to select the investment avenues, the reasons behind of challenging for select the investment avenues is to determine the characteristics of the various investment avenue and then matching them with the individuals need and preferences.

Investor differs from one another others in all aspects based on the various factors like demographic factors, socio-economic background, life style, etc., even though investor investing design in order to achieve certain objectives. These objectives may be tangible such as buying a car, purchase or construct the house, etc., and intangible objectives such as social status, security etc. similarly; these objectives may be classified as financial or personal objectives. Financial objectives are safety, profitability, and liquidity. Personal or individual objectives may be related to personal characteristics of individuals such as family commitments, status, dependants, educational and marriage requirements, income, consumption and provision for retirement etc., further perceive of the investors related to the elements of investments like Risk and Return relationship, Time, Liquidity, Tax savings, etc.,

Investment behaviour is the study of the Investors’ Investment decision making and its attempts to explain and understanding of the reasoning patterns of Investors’ rational and emotional processes involves and influences to the decision making process. Basically, the researchers have been some hypothetical statements regarding the Investors behaviour in various investment avenues, like an educated person’s decisions towards investment may
differ from an uneducated. By the way, the young bachelor prefers to invest their money in risky avenues comparatively the family man, they always prefer the less risky and stable income avenues, not only the above reasons for the invest but also the inducing factors are, rural and urban survivors, information source, avenues accessibility, colleagues, friends and relatives in the society.

According to Tversky and Kahneman (1981) described about the Behavioural finance; it is the application of scientific research on the psychological, social, and emotional contributions to market participants and market price trends. It also studies the psychological and sociological factors that influence the financial decision-making process of individuals, and groups. The human decisions are subject to several cognitive illusions, the Cognitive Psychology is the study of all knowledge related (mental) behaviours i.e., Attention, Perception, Memory/ Comprehension, and Decision Making; it is playing an important role in investment behaviour of investors, then it also explain the individuals’ personality, attitudes, motivations, and behaviours of the individual influence and influences by social groups. It can be grouped into two theories i.e., Heuristics Theory and Prospect Theory.

Heuristics Theory refers to rules of thumb which investor’s exercise to make decisions in complex, uncertain environments. The certainty, the investor’s decision-making processes are not strictly rational one. Thought the investors have collected the relevant information and objectively evaluated, in which the mental and emotional factors are involved. It is very difficult to split. Sometimes it may be good, but many times, it may result in inferior decision outcomes. It includes: Representativeness, Over Confidence, Anchoring, Gamblers Fallacy etc. Prospect Theory refers to Loss Aversion, Regret Aversion, Mental Accounting, and Self Control etc.
In this study finds to the Investors’ Investment Behaviour in primary and popular investment avenues like Bank & Post Office Investment, Insurance Investment, Shares Investment, Mutual Funds Investment, Bonds Investment, Gold & Silver Investment and Real Estates Investment. Furthermore, the study finds to the Investors’ decision-making behaviours in their investment avenues. This study suggests Flinder’s Decision Making Questionnaire to find the Investors’ decision-making behaviours.

The Flinder’s Decision Making Questionnaire is based on the decisional conflict model, it has proposed by Irving Janis and Leon Mann in 1979. The Flinder’s Decision Making Questionnaire has 31 Questions, its consisting of Vigilance scale six Questions, Hyper Vigilance scale five Questions, Defensive Avoidance scale five Questions Procrastination or Postponement five Questions, Buck-Passing five Questions and Rationalisation five Questions. In this study enrol, the above said six decision behavioural dimensions are relate to Investors’ investment decision of their investment preference.

**Investment Avenues**

There is a large number of investment instruments are available today; an investor has invested different avenues to park their savings. The investor chooses the investment avenue that maximizes their utility. Some of them are marketable and liquid, while others are non-marketable and some of them take high risk while others are almost less risk. The Investors have to choose the avenue depending upon their specific need, risk preference, and returns. So, the study make understand the merits and demerits of different investment avenues through financial advertising, newspaper, investment journals, research review and guidance from experts and investors to select the popular and best avenues for the study.
The Investment avenues can broadly categories under the following heads like Bank and Post Office Avenue, Insurance Avenue, Shares Market Avenue, Mutual Fund Avenue, Bonds Avenue, Gold & Silver Avenue and Real Estate Avenue.

**Bank and Post Office Investment Avenue**

Bank deposits are very popular and safe investment avenue. Banks are subject to control and regulated by the Reserve Bank of India. They offer various types of deposits, depending on the need of the customers. Bank deposits are preferred more for their liquidity and safety than for the returns there on. It is possible to get loans up to 75- 90 % of the deposit amount from banks against fixed deposit receipts.

The commercial banks are introduced different types of deposit accounts to attract the public. Bank deposits are liquid in nature. They are non-marketable financial assets. Different types of bank deposits are maintained by commercial banks are; a) Current Account; b) Savings Deposit Account; and c) Fixed Deposit Account. Fixed Deposits with Banks are also referred to as term deposits. Minimum investment period for bank FDs is 30 days. Fixed Deposits in banks are for those investors, who have low risk appetite.

Bank FDs is likely to be lower than money market fund returns. Deposits in banks are very safe because of the regulations of RBI and the guarantee provided by the deposit insurance corporation. The interest rate on fixed deposits varies with term of the deposits; Bank deposits enjoy exceptionally high liquidity. Loans can be raised against bank deposits. Recurring deposit account is a systematic way of saving money. The scheme is meant for those investors who want to deposit a fixed amount regularly or periodical basis.
Type of Deposits and Key Futures

Savings Bank Account

- Often the first banking product people use
- Low interest however, highly liquid
- Suitable for inculcate the habit of saving among the customers

Bank fixed Deposit (Bank FDs)

- Involve to place funds with the banks for a fixed term (not less than 30 days) for a certain stipulated amount of interest
- The ideal investment time for bank FDs is 6 to 12 months as normally interest on bank less than 6 months bank FDs is likely to be low
- The time frame assumes importance an early withdrawal may carry penalty

Recurring Deposit Account

- Some fixed amount is deposited at monthly intervals for a pre-fixed term
- Earns higher interest than Saving Bank Account
- Help in the savings of a fixed amount every month

Special Bank Term Deposit Scheme

- This is the Tax Saving Scheme available with bank
- Relief under Section 80 C of the income Tax, Act available
- Term deposit of five years maturity in a scheduled bank is mandatory
For more than 150 years, the Department of Posts (DoP) has been the backbone of the country’s communication and has played a vital role to connect the whole of the country and has also provided banking facilities in the absence of banks. But over time, its role has changed and it has grown to become one of the best avenues to channel investment from even the wealthy investor and use them fruitfully in nation building activities. There has been introduction of several types of deposit schemes that cater to the differing needs of different classes of investors in which person has an option to invest even a minimal amount.

Post office small savings schemes are also like the commercial bank schemes. As the term indicates these schemes are operated through post offices. The term post office savings schemes include Post Office Monthly Income Scheme (POMIS), Kisan Vikas Patra (KVP), National Savings Certificate (NSC), Public Provident Fund (PPF), Post Office Recurring Deposit (PORD), Post Office Time Deposits (POTD) and Deposit Schemes for Retired Government Employees or Public Sector Undertakings (DSRGE/DSRPSU). Government of India has been mobilizing crores of Rupees from the members of the public through these schemes.

**Tax Savings Schemes**

The Government of India has launched Income Tax Saving Schemes including

- National Savings Certificate (NSC)
- Public Provident Fund (PPF)
- Post Office Scheme (POS)

Besides, Equity linked savings scheme (ELSS) offered by Mutual Funds and infrastructure Bonds of Financial Institutions / Banks also offer tax benefit.
The incomes from the investment are exempt from income tax and the investments in these schemes are deductible subject to certain limits from the taxable income.

**National Savings Certificate (NSC)**

- Popular Income tax Savings scheme, available throughout the year
- Interest rate of 8%
- Minimum investment is Rs100/- and with no upper limit
- Maturity period of 6 years
- Transferable and a provision of loan on the basis of this scheme

**Public Provident fund (PPF)**

- Interest rate of 8.6% p.a
- Minimum investment limit is Rs. 500/- and maximum is Rs. 100,000
- Maturity period of 15 years
- The first loan can be taken in the third financial year from the date of opening of the account, or up to 25% of the amount at credit at the end of the first financial year.
  Loan amount can be returned in maximum of 36 instalments
- A person can withdraw an amount (not more than 50% of the balance) every year from the 7th year onwards

**Post office Scheme (POS)**

- It is one of the best Income Tax Saving Schemes
- It is available throughout the year
- Post office schemes depends upon the type of investment and maturity period, which can be divided into following categories:
- Monthly Deposit
- Saving Deposit
- Time Deposit
- Recurring Deposit

**Equity Linked Savings Schemes (ELSS)**

- Mirror image of a diversified equity fund, however, with tax benefit U/S 80 C
- Lock in period of three years
- Dividends are also tax-free
- On sale of these units, benefit can be obtained of long term capital gains, on which no capital gains tax is to be paid
- Minimum investment is Rs. 500 and then multiples thereof
- Investor can opt for systematic investment plan

**Infrastructure Bonds**

- Lock in period of three years
- Tax benefit U/S 88 on investment up to Rs. 20,000
- Any redemption prior to maturity nullifies tax exemption

**Life Insurance Investment Avenue**

Life Insurance is the key to good financial future planning. On one hand, it safeguards our money and on the other, ensures its growth, thus providing us with complete financial well being. Life Insurance can be termed as an agreement between the policy owner and the insurer, where the insurer for a consideration agrees to pay a sum of money upon the occurrence of the insured individual's or individuals' death or other event, such as terminal
illness, critical illness or maturity of the policy. Life insurance is viewed as an investment, Generally policy is purchased to cover risk and Income-Tax benefits. The important types of insurance policies in India are: (a) Endowment assurance policy (b) Money back policy (c) Whole life policy (d) Term assurance policy.

In law and economics, insurance is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment. An insurer is a company, selling the insurance; an insured, or policyholder, is the person or entity buying the insurance policy.

The insured receives a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated. Till date, only 20% of the total insurable population of India is covered under various life insurance scheme (Source: Center for Insurance Training, Research and Development), the penetration rates of health and other non-life insurances in India is also well below the international level. These facts indicate the of immense growth potential of the insurance sector in India. At present there are 24 life insurance companies offering different products to suit the different needs of the customers. In India, Insurance Regulatory and Development Authority (IRDA) is the regulator for insurance industry, which is responsible to provide guidelines for the protection of the interest of the policyholders.

**Insurance Polices**

Insurance, as the name suggests is an insurance against future loss. However, although life insurance is most common, there are other schemes that generate regular income and cover other types of losses.
Term Life Insurance

- Gaining popularity in India
- Lump sum is paid to the designated beneficiary in case of the death of the insured
- Policies are usually for 5, 10, 15, 20 or 30 years
- Low premium compared to other insurance policies
- Does not carry any cash value

Endowment Policies

- Provide for periodic payment of premiums and a lump sum amount either in the event of death of the insured or on the date of expiry of the policy, whichever occurs earlier

Annuity /Pension Polices /Funds

- No life insurance cover but only a guaranteed income either for life or a certain period
- Taken so as to get income after the retirement
- Premium can be paid as a single lump sum or through instalments paid over a certain number of years
- The insured receives back a specific sum periodically from a specified date onwards (can be monthly, half yearly or annual)
- In case of the death, it also offers residual benefit to the nominee.
**United Linked Insurance Policy (ULIP)**

- A ULIP is a life insurance policy, which provides a combination of risk cover and investment.

- The dynamics of the capital market have a direct bearing on the performance of the ULIPs.

- The investment risk is generally borne by the investor.

- Most insurers offer a wide range of funds to suit one’s investment objectives, risk profile and time horizons. Different funds have different risk profiles. The potential for returns also varies from fund to fund.

- ULIPs offered by different insurers have varying charge structures. Broadly the different fees and charges include – Premium allocation charges, Mortality charges, fund management fees, policy/ administration charges and fund switching charges.

**New Pension Scheme**

- Defined contribution scheme open to any Indian Citizen between the age of 18 and 55.

- The individual invests a certain amount in a pension scheme till the retirements.

- At retirement, he is allowed to either withdraw the money that has accumulated or buy an immediate annuity from an insurance company to generate a regular income or do both. A minimum of 40% needs to be used to buy an immediate annuity; a maximum of 60% of the money accumulated can be withdrawn.

- Buying an annuity assures a regular payment from the insurance company. This payment can be monthly, quarterly, half yearly or once a year.
• The minimum amount that need to be invested per contribution is Rs. 500. A minimum of four contributions need to be made per year. Other than this, a minimum of Rs. 6,000 needs to be invested per year.

• There are no upper limits on the amount of money that can be invested as well as the number of contributions that can be made.

• The money you invest in NPS will be managed by professional managers.

• You can switch fund managers if you are not satisfied with the performance of your fund manager.

• This is non-withdrawable account and investment in this keep accumulating till you turn 60. Withdrawal is allowed only in case of death, critical illness or if you are building or buying your first house.

• Under Section 80 CCD of the income Tax act investments up to Rs. 1 lacs in the NPS can be claimed as tax deductions. Remember that this Rs. 1 lacs limit is not over and above the Rs. 1 lacs limit available under section 80C.

• Also no return is guaranteed as it is in case of PPF, the money you make is dependent on how well the fund managers chosen by you perform.

Health Insurance

Health Insurance policies insure you against several illness and guarantee you stay financially secure should you ever require treatment. They safeguard your peace of mind, eliminate all worries about treatment expenses, and allow you to focus your energy on more important things. There are several health insurance or medical insurance plans in India. These can be divided in to the following categories based in the coverage offered.
Comprehensive health insurance coverage

These plans provide you complete health coverage through a hospitalisation cover while at the same time also creating a health fund to cover any other health care expenses.

Hospitalisation Plan

These health insurance plans cover your expenses in case you need to be hospitalised. Within this category, products may have different payout structures and limits for various head of expenditure. The hospitalisation coverage may be reimbursement based plans or fixed benefit plans. These plans aim to cover the more frequent medical expenses.

Critical Illness Plans

These health insurance plans provide you coverage against critical illness such as heart attack, organ transplant, stroke, and kidney failure among others. These plans aim to cover infrequent and higher ticket size medical expenses.

Specific Conditions Coverage

These plans are designed specifically to offer health insurance against certain complications due to diabetes or cancer. They may also include features such as disease management programs that are specific to the condition covered.

Reason for Buying Life Insurance Products

Insurance is designed to protect a person and the family from disasters and financial burdens. There are some important reasons, which play a very vital role in purchase decisions and buying of life insurance products, are as follows:
Life insurance provide funds to the family, leaves behind a one’s and serves as a cash resource, on premature death. It can have a savings or pension component that provides during the retirement. Some policies have riders like coverage of critical illness or term insurance for the children or spouse. Having a valid insurance policy is considered as financial assets which improves the credit rating when one’s need health insurance or a home or business loan. Term life insurance has double benefits, it protects and one can get their money back during strategic points in their life. It can contribute towards maintaining a family's life style when one contributing partner suddenly dies.

**Share Market Investment Avenue**

A stock market is a public market for the trading of company shares at an agreed price; these are securities listed on a stock exchange. The shares are listed and traded on stock exchanges which facilitate the buying and selling of stocks in the secondary market. The prime stock exchanges in India are The Stock Exchange Mumbai, known as BSE and the national Stock Exchange known as NSE. The purpose of a stock exchange is to facilitate the trading of securities between buyers and sellers, thus providing a marketplace. Investing in equities is riskier and definitely demands more time than other investments.

**Investment in equities can be made in two ways**

- Through the primary market (by applying for shares that are offered to the public)
- Through the secondary market (by buying shares that are listed on the stock exchanges)

Having first understood the markets, it is important to know how to go about selecting a company, a stock and the right price. A little bit of research, some diversification and proper monitoring will ensure that the investor earns good returns.
**Depository System**

In order to invest in shares, it is necessary to understand the term “Dematerialisation of Shares”, as almost all shares now is in “Demat” form. Earlier, there used to be physical share certificates issued, which are now converted to electronic form. For this, an understanding of the depository system becomes essential.

A depository is an organisation, which holds securities (like shares, debentures, bonds, government securities, mutual fund units etc,) of investors in electronic form at the request of the investors through a registered Depository participant. It also provides services related to transactions in securities. It can be compared with a bank, which holds the funds for depositors.

At present two depositories viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) are registered with SEBI. A Depository Participant (DP) is an agent of the depository through which it interfaces with the investor and provides depository services. Public financial institutions, scheduled commercial banks, foreign banks operating in India with the approval of the Reserve Bank of India, State financial corporations, custodians, stock-brokers, clearing corporations/ clearing houses, NBFCs and Registrar to an Issue or Share Transfer Agent complying with the requirements prescribed by SEBI can be registered as DP. Banking services can be availed through a branch where as depository services can be availed through a DP

It is now compulsory for every investor to open a beneficial owner (BO) account to trade in the stock exchange or apply in public issue. Therefore, in view of the convenience as listed below, it is advisable to have a beneficial owner (BO) account.
However to facilitate trading by small investors (maximum 500 shares, irrespective of their value) in physical mode the stock exchange provide an additional trading window, which gives one time facility for small investors to sell physical shares which are in compulsory demat list. The buyer of these shares has to demat such shares before further selling.

Benefits of availing depository services include

- A safe and convenient way to hold securities:
- Immediate transfer of securities:
- No stamp duty on transfer of securities:
- Elimination of risks associated with physical certificates such as bad delivery, fake securities, delays, thefts etc.,
- Reduction in paperwork involved in transfer of securities:
- Reduction in transaction cost:
- No odd lot problem, even one share can be traded:
- Nomination facility:
- Change in address recorded with DP gets registered with all companies in which investor holds securities electronically eliminating the need to correspond with each of them separately:
- Transmission of securities is done by DP eliminating correspondence with companies:
- Automatic credit into demat account of shares, arising out of bonus / split / consolidation / merger etc,
- Holding investments in equity and debt instruments in a single account.

A share of stock is smallest unit of ownership in a company. If you own a share of a company’s stock, you own share, you considered as the part owner of the company. Stock
market is best known for being the most effective channel for company’s capital raise. People are interested in stock because of “long-term growth of capital, dividends, and the other feature that makes the stock market more attractive than other types of investment is its liquidity. Most people invest in stocks because they want they benefit when the company pay dividends or when stock price increases however, many people buy stocks for the purpose of control over the firms. Regularly, shareholders need to own specific amount of shares to be in the board of directors who can make strategic decisions and set directions for the firms.

It is possible to consider stock market as the yardstick for economic strength and development. Thus, the movement of stock market trend represents the economic health of an economy. The rise in share price tends to be associated with the increase in investment, which leads to the higher growth rate of a company in specific and an economy in general. Furthermore, through risk diversification, stock market may influence economic growth by shifting investments into higher-return projects. Besides, stock market promotes the acquisition of firms’ information, from which investors may benefit before the information is spread widely and prices change.

Thus, investors are supposed to research and monitor firms closely. Additionally, stock market may push the development of an economy through efficient allocation of resources and better utilization of resources. Through stock market, savings flow from investors to the production of goods and services. Moreover, stock market helps agents to rearrange their portfolios quickly. Thus, the importance and influence of stock market on the development of an economy cannot be denied.

**Mutual Funds Investment Avenue**

A Mutual Fund (henceforth MF) pools money from many investors and invests the money in stock, bonds, short-term money-market instruments, other securities or assets, or
some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each unit represents an investor’s proportionate ownership of the fund’s holdings and the income those holdings generate.

Mutual Funds are one of the most preferred investment alternatives for small investors as they offer an opportunity to invest in diversified, professionally managed portfolios at a relatively low cost. Over the past decade, mutual funds have increasingly become the investor’s vehicle of choice for long-term investing. In recent times, an important trend in the mutual fund industry is the aggressive expansion of foreign owned mutual fund companies and the decline of the companies floated by nationalized banks and smaller private sector players.

A Mutual Fund is an investment tool that allows small investors access to a well-diversified portfolio of equities, bonds and other securities. Each shareholder participates in the gain or loss of the fund. Units are issued and can be redeemed as needed. MF is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, Debentures and other securities. The income earned through these investments and the capital appreciation realized is shared by its unit holders in proportion to the number of units owned by them. Thus, MF is the most suitable investment for the common person as it offers an opportunity to invest in a diversified, professionally managed basket of securities at a relatively low cost.

Types of Mutual Funds

Each fund has a predetermined investment objective that tailors the fund’s assets, regions of investments and investment strategies. At the fundamental level, there are three varieties of mutual funds:
Equity funds (Stocks)

Fixed – income funds (Bonds)

Money market funds

All mutual funds are variations of these three asset classes. For example, while equity funds that invest in fast-growing companies are known as growth funds, equity funds that invest only in companies of the same sector or region are known as specialty funds. Mutual funds can also be classified as open-ended or closed-end, depending on the maturity date of the fund.

Open ended Funds

- An open-ended fund does not have a maturity date of the fund.
- Investors can buy and sell units of an open-ended fund from / to the asset management company (AMC), at the mutual fund offices or their Investor Services Centres (ISCs) or through the stock exchange.
- The prices at which purchase and redemption transactions take place in a mutual fund are based on the net asset value (NAV) of the fund.

Closed –end Funds

- Closed-end funds run for a specific period.
- On the specified maturity date, all units are redeemed and the scheme comes to a close.
- The units shall be listed on a stock exchange to provide liquidity.
- Investors buy and sell the units among themselves, at the price prevailing in the stock market.
Money Market Funds

- Invest in extremely short-term fixed income instruments.
- The returns may not be very high, but the principal is safe.
- These offer better returns than savings account but lower than fixed deposits without compromising liquidity.

Bond / Income Funds

- Purpose is to provide current income on a steady basis.
- Invests primarily in government and corporate debt.
- While fund holdings may appreciate in value, the primary objective of these funds is to provide a steady cash flow to investors.

Balanced funds

- Objectives is to provide a balanced mixture of safety, income and capital appreciation.
- Strategy is to invest in a combination of fixed income and equities.

Equity funds

- Invest in shares and stocks.
- Represent the largest category of mutual funds.
- Investment objective is long-term capital growth with some income.
- Many different types of equity funds because of the different type of investment objectives.
Foreign / International Funds

- An international fund (or foreign fund) invests in the equity of the companies which are outside the home country.

Sector funds

- These are targeted at specific sectors of the economy such as financial, technology, health, etc.

Index funds

- This type of mutual fund replicates the performance of a board market index such as the SENSEX OR NIFTY.
- An index fund merely replicates the market return and benefits investors in the form of low fees.

Importance of Mutual Fund

Small investors face a lot of problems in the share market, limited resources, lack of professional advice, lack of information etc. Mutual funds have come as a much-needed help to these investors. It is a special type of institutional device or an investment vehicle through which the investors pool their savings which are to be invested under the guidance of a team of experts in wide variety of portfolios of corporate securities in such a way, so as to minimize risk, while ensuring safety and steady return on investment. It forms an important part of the capital market, providing the benefits of a diversified portfolio and expert fund management to a large number particularly small investors. Now a day, mutual fund is gaining its popularity. Due to the following reasons:
1. With the emphasis on increase in domestic savings and improvement in deployment of investment through markets, the need and scope for mutual fund operation has increased tremendously. The basic purpose of reforming the financial sector was to enhance the generation of domestic resources by reducing the dependence on outside funds. This calls for a market based institution which can tap the vast potential of domestic savings and channelize them for profitable investments. Mutual funds are not only best suited for the purpose but also capable of meeting this challenge.

2. As mutual funds are managed by professionals, they are considered to have a better knowledge of market behaviours. Besides, they bring a certain competence to their job. They also maximize gains by proper selection and timing of investment.

3. Another important thing is that the dividends and capital gains are reinvested automatically in mutual funds and hence are not frittered away. The automatic reinvestment feature of a mutual fund is a form of forced saving and can make a big difference in the long run.

4. The mutual fund operation provides a reasonable protection to investors. Besides, presently all Schemes of mutual funds provide tax relief under Section 80 L of the Income Tax Act and in addition, some schemes provide tax relief under Section 88 of the Income Tax Act lead to the growth of importance of mutual fund in the minds of the investors.

5. As mutual funds creates awareness among urban and rural middle class people about the benefits of investment in capital market, through profitable and safe avenues, mutual fund could be able to make up a large amount of the surplus funds available with these people.

6. The mutual fund attracts foreign capital flow in the country and secures profitable investment avenues abroad for domestic savings through the opening of off shore funds in various foreign investors. Lastly, another notable thing is that mutual funds are controlled
and regulated by S E B I and hence are considered safe. Due to all these benefits the importance of mutual fund has been increasing.

**Salient Features of Mutual Funds**

- **Professional Management** - Money is invested through fund managers.
- **Diversification** – Diversification is an investing strategy that can be neatly summed up as “Don’t put all your eggs in one basket”. By owning shares in a mutual fund instead of owning individual stocks or bonds, the risk is spread out.
- **Economy of scale**- because a mutual fund buys and sells large amount of securities at a time, its transaction costs are lower than what an individual would pay for securities transactions.
- **Liquidity**- Just like individual shares, mutual fund units are convertible into money by way of sale in the market.
- **Simplicity**- Buying a mutual fund unit is simple. Many banks have sponsored their own line of mutual funds and the minimum investment amount is small.
- **Investors should examine each of the above features carefully before investing in mutual funds.**

**Bonds Investment Avenue**

A bond is a loan given by the buyer to the issuer of the instrument, in return for interest. Bonds can be issued by companies, financial institutions, or even the Government. The buyer receives interest income from the seller and the par value of the bond is receivable by the buyer on the maturity date which is specified.

Bonds are senior securities in a firm. They represent a promise by a company to the bondholder to pay a specified rate of interest during a stated time period annually and the
return of the principal sum on the date of maturity. Date of maturity is also called the date of retirement of a bond. Bonds are the important sources of funds to the corporate sectors. They are usually an issue of long-term debt of the corporate organizations.

Types of Bonds

Tax-saving bonds

Tax saving bonds offer tax exemption up to a specified amount of investment, depending on the scheme the Government notification. Examples are

- RBI Tax Relief Bonds.

Regular Income Bonds

Regular income bonds provide a stable source of income at regular, pre-determined intervals, Examples are:

- Double your money bond
- Step –Up Interest Bond
- Retirement Bond
- En cash Bond
- Education Bond
- Money Multiplier bonds
- Deep Discount Bonds
**Government Bond:** Government of India periodically issues bonds, which are called government securities (G-sec) or gilt-edged securities. These bonds are issued by the Reserve Bank of India on behalf of the Government of India. Sometimes, the State Government also sells bonds.

**FI- Bonds:** The fixed income assets include internally managed investment grade securities and externally managed high yield securities.

**Government / Private Bonds** – The Central & State Governments and large private companies raise money from the market through a variety of Small Saving Schemes like national saving certificates, Kisan Vikas Patra, Provident Funds & etc. These schemes are risk free, as the government does not default in payments.

**Key Features of Bond**

- Rated by specialised credit rating agencies like, CRISIL, ICRA, CARE, Fitch etc, the yield on a bond varies inversely with its credit (Safety) rating.

- Suitable for regular income, interest received semi-annually, quarterly or monthly depending on type of bond.

- Bond available in both primary and secondary markets.

- Market price depends on yield at maturity, prevailing interest rates, and rating of the issuer.

- One can borrow against bonds by pledging the same with a bank.

- Minimum investment ranges from Rs. 5,000 to 10,000.

- Duration usually varies between 5 and 7 years.

- Can be held in demat form.
Gold and Silver Investment Avenue

In India, real assets such as gold and silver find a place in the portfolio of the investors in rural and semi-urban areas. Generally, gold is the primary form of savings to housewives. These real assets enable the investors to meet any emergent needs since they can be easily converted into cash without monetary loss. The bullion offers investment opportunity in the form of gold, silver, art objects (paintings, antiques), precious stones and other metals (precious objects), specific categories of metals are traded in the metal exchange.

The bullion market presents an opportunity for an investor by offering returns and the end value of future. It has been absurd that on several occasions, when stock market failed, the gold market provided a return on investments. In Bullion markets, the precious metals like gold and silver had been a safe heave for Indian Investors since ages. Besides jewellery, these metals are used for investment purposes also. Since last 10 year, both Gold and Silver have highly appreciated in value both in the domestic as well as in the international markets. In addition to its attributes as a store of value, the case for investing in gold revolves around the role it can pay as a portfolio diversifier.

According to Mary Honey O.J, (2013) Gold is rare among metals. However, it can be seen everywhere, from jewellery to technology. Unlike any other metals sometimes gold, the shiny precious yellow metal creates some emotional attachments among people. Gold also plays a huge position in the economy of a country. The year 2013 fired up discussions on ‘Gold’, the yellow metal or rather a costly non-essential item for many in India. Gold is unique demand and supply dynamics ensures its role as a true diversifier for investors.

The gold demand is widely dispersed across the world. East Asia, the Indian sub-continent and the Middle East accounted for approximately 66 percent of consumer demand
in 2012. India, Greater China (China, Hong Kong and Taiwan), U.S. and Turkey are represented well over half of consumer demand.

**Global Trends in Gold**

The global gold demand is mainly for making jewellery, as an investment or for technology. Among them, ‘Gold in the form of jewellery’ has the highest demand; approximately 50 per cent. Private Investments and more recently Central Bank Net Purchases, account for an additional 39 per cent demand. Applications in technology and other types of fabrication such as use of gold in electronics, medicines, dentistry, etc. constitute the remaining 11 per cent. Hundreds of gold mines operate across the world ranging in scale from minor to enormous. Currently, the global gold mine production is relatively stable.

Over the last five years, the supply from gold mine production has averaged to 2,690 tonnes per year. Even when the new mines are developed they will be mostly serving to replace the current production than expanding global production. The mining output is relatively inelastic, unable to respond quickly to a change in price outlook.

**Gold demand and supply in India**

According to the report published by World Gold Council (WGC), the market development organization for the gold industry, the demand for gold in India in the fiscal year 2011 and 2012 were 986.3 tonnes and 864.2 tonnes respectively. It is predicted by the WGC that the demand for gold in India in the year 2013 will be in the range of 865 tonnes to 965 tonnes. In India, consumer demand for gold in the second quarter from April to June 2013 was 310 tonnes. This shows an increase of 71 per cent as compared to the second quarter of 2012. Gold in the form of investment is exclusively in a physical form, typically a gold bar or a gold coin and sometimes the list includes gold medals as well (Neil 2010).
During the second quarter of 2013, gold bars and gold coins investment rose to 116 per cent, while demand for jewellery rose by 51 per cent as compared to second quarter of 2012.

The expected appreciation for the value of gold and the possibility of raising loans in times of emergency are cited as the reasons why people invest in gold. Since only three of its gold mines are working full-time (Hutti and Uti mines in Karnataka and the Hirabuddini mines in Jharkand) and producing about 0.5 per cent of the country's annual gold consumption, India has to import gold to meet the stupendous gold demand. Despite the colossal increase in gold prices throughout the years, there has been no sign of decline in procurement of gold for various reasons, among the consumers in India. The trends in gold prices and volume of imports to India from 1994-95 to 2010-11. It is clearly indicates that the gold is price insensitive where consumers buy gold regardless of the hike in price. Even though the price of the Gold was going spiral, the demand was not affected.

The soaring import of this yellow metal has also contributed to the widening of India’s Current Account Deficit (CAD). To curb the excess demand for gold in India, the central government in the year 2013 increased the import duty on gold to four times from two per cent to 15 per cent.

**Real Estate Investment Avenue**

Real estate has also become an attractive form of investment. Like international investment, real estate plays an important role in diversified portfolios. The term real estate includes agricultural land, semi-urban land, commercial property, a resort home and a second house. Real estate also made when the expected returns are very attractive. Buying property is an equally strenuous investment decisions. Real estate investment is often linked with the future development plans of the location. At present investment in real assets is booming there are various investment source are available for investment which are directly or
indirectly investing real estate. Real Estate – Returns are almost guaranteed because property values are always on the rise due to a growing world population. Residential real estate is more than just an investment. There are more ways than ever before to profit from real estate investment.

According to Amarjit Gill (2012) positively influence the propensity of Indian investors to invest in the real estate market. India is second largest country in the world after China in terms of population. By 2030, the population of India is expected to be largest in the world estimated to be around 1.53 billion. Because of the large size of population and economic growth, the Indian real estate sector is booming and the annual demand for residential buildings in the country is anticipated to grow at a compound annual growth rate of 52.5 percent.

Beside indicates that the Indian real estate market is one of the emerging markets in the less developed economics of countries. India recorded an economic growth rate of 8.50 percent in year 2010-11. One of the contributing factors of high GDP growth rate in India during 2010-11 was the real estate market. Thus, the real estate market and real estate investors play important roles in the economic growth of India. Since the Indian real estate market is one of the emerging markets in the less developed economics of countries and real estate investors play an important role in the development of the Indian economy, it is important to understand the factors that have positive influence on the propensity of Indian investors to invest in the real estate market.

Therefore, the resultant that the propensity to invest in the real estate market depends on investment expertise of investors, investors’ knowledge of neutral information, investors’ motivation from an advisor, and family; the purpose of this study is to explore these relationships among the above variables.
Investment propensity is defined as the extent to which investors are inclined to invest in the real estate market to: i) get rich quickly, ii) diversify risk, and iii) obtain higher rate of return. Emerging markets for investment feature slightly higher risk levels than the developed nations of the world. Investment risk is a multidimensional construct with four principal attributes: i) the possibility of a very large loss, ii) the possibility of a below target return, iii) the ability to control loss, and iv) the investor’s level of knowledge.

The investor’s level of knowledge is one of the principal risk attributes that impact on investment propensity. The relative importance of the investor’s level of knowledge attribute is a function of idiosyncratic investor and asset characteristics improved investment knowledge and experience enable consumers to make better investment decisions. That is, the more accurately investors perceive risk, the better they understand the link between risk and return in the Indian real estate market; and the better the understanding of the link between risk and return in the Indian real estate market, the higher the investment propensity of investors. Risk-averse investors continue to be attracted by relative stability of residential properties and buildings. Investors’ investment knowledge and experience have positive and negative impacts on their propensity to invest capital in the real estate market. That is, if Indian investors perceive higher risk in the Indian real estate market, they are reluctant to invest capital and vice versa.

**Statement of the Problem and Research Gap Analysis**

The study area Cuddalore district has heterogeneity population, it has eight Taluks, which has urban, small towns, rural and coastal areas, the people are doing different level of professions such as agriculture, fisheries, industrial workers, government and public official worker, private official workers, and House hold Industrial workers, etc,. Because, it has
obtained University, Colleges, Industrial Estate, Factories, lot of Agricultural land and Seashore areas.

The study area develops literate populations regarding the investment, people in the area also aware about savings and Investments, at same time they have very good financial infrastructure. In junction already conducted, the small studies reports are emphasise the evidence only for Investors’ Investment attitude and investment pattern. Owing modern trend, the Government authority bodies are serves more detailed manner in the financial planning, it attracts many investors to meet their future goals and needs. Besides, the official bodies are gives plenty of guidelines to investors for invest their excess money in various investment avenues and how generated extra incomes, improvements of wealth and societal status from their investments.

The problem and gap of this study to check the Government authority bodies derived many tremendous modern financial investment planes to the investors, whether the planes are reaching to ultimate investors or not, by the way the present study attempts to investigate and understand the investors’ investment behaviour in various investment avenues. The study conducted to identify the investors’ investment preference reasons, investment objectives, information sources, investment knowledge and risk taking abilities for the particular avenues.

Furthermore, the study has keenly observed the investment decision-making behaviour of the investors. Which is identified through the Flinter Decision Making Questionnaire, that is focused six decision making behaviour like Vigilance, Hyper Vigilance, Defensive Avoidance, Procrastination, Buck Passing, and Rationalization behaviour, it is how for impact Investors’ Investment Preference.
Questions of the Study

1. What are all the reasons to prefer the investment avenues?

2. How the Investors collect the information sources for the investment?

3. What are all the Investors’ Investment Objectives of the Investment avenues?

4. How the Investors’ knowledge tends to risk taking ability?

5. How the Investors’ Investment Decision Making Behaviours impact level on their Investment Preference?

Objectives of the Study

- To study the Investors’ Investment Preference reasons for the Investment Avenue,

- To study the Investors’ Investment Objectives of the Investment Avenue,

- To study the Investors’ Investment Information Sources of the Investment Avenue,

- To study the Investors’ Investment Knowledge and Risk taking ability on their Investment,

- To study the Investors’ Investment Decision Making Behaviours impact levels of their Investment Preference.
Hypothesis of the Study

1. There is no significant association between Investors’ Demography profile and Investment Avenues
2. There is no significant association between Investors’ information sources and various Investment avenues
3. There is no significance difference between the Investors’ Demography profile and collecting information source
4. There is no significant relationship between the decision-making behaviour variables and respective dimensions
5. There is no significant relationship between the decision-making behaviour dimensions and Investors Investment preference

Scope of the Study

Over the few decades, there is a gradual increase in number of retail Investors and increasing size of the amount in various investment avenues, especially in Cuddalore District. Owing the positive correlation between Investment and economy, the improvements of Investments will positively influencing the development of the economy and vice versa. The result of the study to understand and give some suitable explanation for the Investors’ investment preference reasons, investment objectives, information sources, investment knowledge and risk taking abilities for the particular avenues. Besides, this study explores which Decision Making behavioural factor influencing to the individual investor and investment domain. It guides the investors to understand the common behaviours, to justify their reactions for better returns and safety of their investment.
Investment organizational authorities may refer the information for better understanding about investors’ preference reasons, objectives, gathering information source, knowledge, risk taking ability, and investors’ decision-making behaviour, on the basis, they may drive better implementation and recommendation to respective investment avenues for the growth of investment and economy.

Significance of the Study

To the Individual Investors: The study considers the pragmatic behaviour of the investor and their decision-making choice for the various investment avenues.

To the Investment Organizations: The study support to the investment organization, in the view of investment trend, reliability, Investors’ view and behaviour, on the basis they may drive better implementation and recommendation to respective investment avenues for the growth.

To the field of Behavioural Finance: The concepts of behavioural finance are relatively new in comparison to other financial theories. This study hopes to confirm the suitability of practical behavioural finance for all kinds of investment.

Limitations of the Study

- The study is limited to Cuddalore District.
- Consumers hesitated to disclose the personal investment details while the enquiry
- Some of the respondents were less interested in answering the questionnaire, as they felt that it was an interruption to their regular work.
Proposed Research Model for the Study “Decision Making Dimensions Impact of Investors’ Investment Preference (Based on Flinders’ Decision Making Questionnaire)

The Flinder’s Decision Making Questionnaire is based on the decisional conflict model, it has proposed by Irving Janis and Leon Mann in 1979. The Flinder’s Decision Making Questionnaire has 31 Questions, its consisting of Vigilance scale six Questions, Hyper Vigilance scale five Questions, Defensive Avoidance scale five Questions, Procrastination or Postponement five Questions, Buck-Passing five Questions and Rationalisation five Questions. In the study enrol, the above said six decision behavioural dimensions are relate to Investors’ investment decision of their investment preference.

The Flinders Decision Making Questionnaire is subjected to a Structural Equation Modeling (SEM) using the Analysis of Movement of Structure (AMOS) programme, with the aim of analyse the behaviour of Decision making construct involved in individual investors’ decision upon their investments.
Chapter Formation

Chapter I

First chapter provides the introduction, highlighting the importance of various Investment Avenues, Statement of the Problem, Objectives of the Study, Scope of the Study, Significance of the Study, Model of the Research, Limitation of the Study, and chapter formation.

Chapter II

Second chapter brings out the review of literature and significant studies made in the relevant area.

Chapter III

Third chapter describes Research Design, Method of Data Collection, Sampling Technique, Design of Measurements and Questionnaire then Data process and analysis,

Chapter IV

Forth chapter presents analysis and interpretation of the collected data using different statistical techniques.

Chapter V

Fifth chapter deals with the summary of findings, suggestions, conclusion drawn and area for further studies. The bibliography and the model questionnaire used in the study have been given as appendix at the end.