Review of Literature

In order to find a research gap, earlier studies relating to the rural investors' perception and postal investment have been thoroughly studied. The study has been identified with personal preferences on various postal investment schemes which are available in the study area and various research studies are also taken into account.

The views expressed by various authors have been reviewed in a broad sense so as to confine itself for reference. Based on the investors’ preference and their mode of selection of postal investments, the essence of the related literature has been presented in this chapter. The reviews have been divided into the following major headings:

1. Investors’ awareness and level of Postal investment
2. Opinion on the rural investors regarding various postal investment Schemes.
3. Psychological factors influencing investors’ decisions
4. Investors’ decision making process of the postal investment.
5. Social Status of investor’s impact on decision making

2.1 Postal Investment Awareness

The present day rural investors give more importance to investment features and specific investments with unique features. Therefore, various authors who have expressed their views on the importance of investment features have been included here for reference.

Post office investments are pervasive throughout the public and offer cues to the investors that can aid his decision-process. In effect, investment awareness can become decision rules within the investors’ choice process.
A. Vinayagamoorthy and K. Senthilkumar (2012)\(^5\) in their study titled “An analysis of Postal Investment and Small Savings”, have shown that mobilization of domestic financial resource has remained a major concern in many developing countries. Despite the variety of vehicles that are intended to mobilize and allocate financial resources, only very few offer strategies for meeting the needs of poor and lower income people. Savings are increasingly being acknowledged as a powerful tool for poverty reduction. Postal savings funds play a significant role in financing public debt and in a number of countries, the funds are intermediated through a variety of policy based financial institutions with developmental objectives, returning the funds to the direct benefits of the community of savers. Savings is the excess of income over consumption expenditure. Savings are meant to meet contingencies and raise standard of living of individual savers.

A study by N. Kathirvel A. Mekala (2010)\(^6\) titled “Women Investors’ Perception Towards Online Trading In Tamilnadu With Special Reference To Coimbatore District” shows that a good financial system provides the intermediation between savers and investors and promotes faster economic development. An investment share requires a careful evaluation of factors related to the economy, industry and the company. This analysis is called fundamental analysis. An investor is surrounded by many factors in her consideration of making investments. She is interested in liquidity of her assets. She is also interested by the fact that there is an increasing number of women working in the organization. 1. To identify the demographic profile of women investors. 2. To identify the factors influencing the women investors while making investment. 3, To suggest suitable measure to protect the interest of women investors. In this study the researcher used Descriptive research, which is concerned with describing the characteristics of a particular individual or of a group. The primary data have been collected from women investors. The data were collected using interview

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schedule method. The interview schedule for women investors is prepared in such a way that they are able to express their opinions freely and frankly. In this research the researcher has selected Coimbatore District. There are many sample designs from which the researcher chooses in this study Convenience Sampling design. In order to find out association between factors associated with financial decision-making of women investors, two-way table according to their factor group was framed. Chi-square test is applied to them to find out the association between the selected variables and financial decision-making perception of women investors. The data collected are based on the questionnaire the results of which will vary according to the opinions of individuals. The study is based upon prevailing investor’s behaviour. The women investor may change according to time, fashion, technology, development etc. It could be seen from this that the calculated value is less than the table value at 5% level thus letting the null hypothesis be accepted. Hence it is clear that there is no association between savings per month and time taken for investment decision. Basic knowledge must be given to the investors about all types of investments, so that the investor can make a better choice that best suits their investment plan.

R. Ganapathi and S. Anbu Malar (2010)7 Studied Investors Attitudes towards Post office Deposit Schemes. The post Office has long been known as a medium to inculcate the habit of thrift and savings among the agricultural workers. 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 investors 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. They are well-known for their tax saving schemes, high interest rates and the safety and liquidity that they offer. This has enabled them to compete successfully with the other avenues of investment available to investors like commerce, etc. This study is an attempt to identify the awareness, preference and

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attitudes of investors towards various deposit schemes offered by the Post Office among 300 respondents of the Coimbatore District.

V.K. Shobhana and J. Jayalakshmi (2006) in their study titled “Investor awareness and Preferences - a Study” have examined the level of investor awareness regarding investment options and investment risks. The analysis revealed that investment in real estate/property is preferred by majority of the respondents. The second most preferred investment is bank deposits. Awareness about investment options and risks are high among old aged, highly educated and those who are professional by occupation.

2.2 Rural Investors Opinion and Various Investments Schemes

They may initiate demand or contribute information, and they may decide on where to invest, which investment and style of invest, how to invest for the investments, how to avoid feature risk, what benefit to expect from the investment, and how to share in maintaining the investment. Hence, the articles relating to the influencing factors towards investment at the time of investing are expressed here in detail.

A. Vinayagamoorthy and K. Senthilkumar (2012) in their study titled “Financial Performance of Indian Postal Life Insurance” have revealed that India possesses the largest postal network in the world with 1,55,699 post offices spread all over the country as on March 31, 2010, of which 90 per cent Government of India has provided the oldest investment option. However, it is a fact that the postal investment schemes has not gained much importance. The changing postal environment presents an enormous challenges for traditional postal business, but it also create a vast array of new business are higher. The study was carried out to analysis whether the rural postal life insurance in India have gained importance among the people or not. Government must create more awareness among the

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rural and urban people about the rural postal life insurance, saving schemes and the benefits availed through it as it has not reached the people properly. Good reliable, Government authorized agents should be appointed so that people find it easy to hand over the money so that mobilization of savings could be increased. The presented paper depicts the current scenario and the financial performance of Indian postal life insurance.

The study by Veena K. Pailwar and Khushboo Saxena (2010) ‘Impact of Membership of Financial Institutions on Rural Saving- A Micro-Level Study’ aimed at ascertaining the significance of financial institutions in mobilizing rural saving in India. Five villages and two semi-urban areas from North India, located in NCR of Delhi, were selected for the cross sectional study. The controlled variables, such as, income, dependency ratio and location explained significant proportion of the variation in financial rural households saving. As well elaborated in the existing literature, income and location had significant positive influence whereas dependency ratio had significant negative influence on the saving. The results of the econometric analysis supported the hypothesis that the membership of financial institutions explains significant proportion of the variation in the rural household financial saving. Membership of some of the financial institutions like banks, insurance, and informal financial institutions has greater significant positive influence than the other financial institutions on the financial saving of rural households. Thus, it can be concluded that the presence of and membership of financial institutions helps in mobilizing the rural financial saving in the economy’s financial system and the efforts should be made to further enhance the participation of the rural households in these financial institutions. Also, efforts to increase the household income, to reduce the dependency ratio and to increase the number of financial institutions, specially, banks, insurance and informal financial institutions, within the 5 Km radius of the villages, can prove to be fruitful in mobilizing rural household saving into the economy’s financial system.

The study of Hari Sundar G. Prashob Jacob (2009)\(^{11}\) has shown that mobilization of domestic financial resources has remained a major concern in many developing countries. Despite the variety of vehicles that are intended to mobilize and allocate financial resources, only very few offer strategies for meeting the needs of poor and lower income people. Savings are increasingly being acknowledged as a powerful tool for poverty reduction. Postal savings funds play a significant role in financing public debt and in a number of countries, the funds are intermediated through a variety of policy based financial institutions with developmental objectives, returning the funds to the direct benefit of the community of savers. Savings is the excess of income over consumption expenditure. Savings are meant to meet contingencies and raise standard of living of individual savers. Domestic savings play an important role in bringing about economic development of backward countries. In India, domestic savings originate from three principal sectors namely the house hold sector (individual, non-corporate business, private), the private corporate sector (Joint stock companies, cooperative institutions the Public sector (central and state government, local authorities). The Indian economy is growing significant and has various investment options but the Government of India has provided the oldest investment option. However, it is a fact that the Postal saving scheme has not gained much importance. The changing postal environment presents an enormous challenge for traditional postal businesses, but it also creates a vast array of new business options and opportunities, as the interest rate compared to other schemes provided by the Postal schemes are higher. The study was carried out to analyze whether the Postal savings schemes have gained importance among the people or not. Against this backdrop, the researcher tries to find out the investment pattern of the respondents of Kumbalangi a rural area in the outskirts of Cochin district.

Mishra Richa and Damodaran Harish (2004)\(^{12}\) in their study have argued that the Post office continues to be a major attraction for savers going by

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the 32.45 per cent higher collections during the first quarter of the current fiscal relative to that mobilized over the same period of 2003 – 04. Finance Ministry officials say that the attraction for the Post office deposit schemes stems from the higher interest rate they offer vis-à-vis what banks give. Between 1999 – 2000 and 2003 – 04, gross collections under the savings deposits shot up from Rs. 34,650 crore to Rs. 91,3000 crore.

Mark J. Scher (2001)\textsuperscript{13} states that in his paper that in many countries postal savings and giro remittance have long enabled provision of financial services to all segments of the population, particularly women, rural communities and the urban poor and to have helped mobilize savings for investment in development. This paper reviews the postal financial systems of twelve developing Asian countries, including savings product development, investing mobilized funds, receiving overseas remittance and utilizing financial technologies. Also examined are experiences of developed countries where market liberalization and privatization have challenged savings operations. Policies are proposed for more effective utilization of the postal infrastructure in delivering financial services in developing and transition economies.

Scher, Mark (2001)\textsuperscript{14} in his study has observed that in many countries Postal Savings and Giro remittances have long enabled provision of financial services to all segments of the population. Questionnaires were sent to the Ministers and Postal administrations of approximately 80 countries in July 1999. The review of experiences of Asian developing countries suggests many ways by which developing countries can help themselves to mobilize domestic savings and provide domestic financial services through postal savings and remittances and thereby provide financial services to those most likely to be excluded.


\textsuperscript{14} Scher, Mark (2001) “Postal savings and the provision of financial services”, Policy issues and Asian experiences in the issue of postal infrastructure for savings mobilization, Dec, Department of Economic and social affairs discussion paper no. 22.
Barber and Odean (2000)\textsuperscript{15} have explored the impact of intuitive thinking on investment preference to study the experience of actual investors. The ET Retail Equity Investor Survey (2004) in the secondary market identified different categories of investors based on their characteristics and attitude towards secondary market investments. A study on 245 Kuala Lumpur Stock Exchange individual investors from Kula Lumpur and Petaling Jaya, reveal that there are some differences between active and passive investors in terms of demographic and psychographics, investment characteristics as well as investment behavior.

Alexander et.al., (1997)\textsuperscript{16} have analyzed the responses from a nationwide telephone survey of 2,000 randomly selected mutual fund investors who purchased shares using the services of six different intermediaries, referred to as distribution channels – brokers, banks, mutual fund companies, insurance companies, employer – sponsered pension plans and “other” (e.g., financial planners). The survey provided data on the demographic, financial, and fund ownership characteristics of mutual fund investors. Furthermore, it contained data on investors’ familiarity with the costs and certain investment risks associated with mutual funds and the information sources used to learn about these costs and risks. The result suggested that there is room for improvement in investors knoweldge of the expenses and risk associated with mutual funds and that more can be done to make mutual fund prospectuses more useful to investors.

Srinivasan R(1996)\textsuperscript{17} in his study titled “Investors Protection: A study on Legal Aspects” attempted to point out lapses in the various legal provisions which were meant for safeguarding the interest of investors in Corporate Segment. It had been observed that the capital market has emerged as a major source of finance for Indian corporate sector and also served as a gateway to the investors to employ their savings. His study was to identify the avenues available to the investing


\textsuperscript{17} Srinivasan R.,(1996) “Investors’ Protection”, A study on Legal Aspects, Published Doctoral Thesis.
community and examine the adequacy of various protective measures in the existing statues and conducted the survey to elicit investors’ opinion.

Dash R.K. and Panda J(1996)\textsuperscript{18} in their paper titled “Investors’ Protection: An analysis” have critically examined the need for investors’ protection. They found that unincorporated bodies and Nidhis (Mutual benefit funds) whose deposit acceptance activities did not come under the guidelines of the Reserve Bank of India shook the investor’s confidence for the past several years. They stated that the poor growth level, dearth of innovative schemes, poor marketing and unsatisfactory investor servicing etc. were the reasons for the low level of confidence in the minds of the investors.

Tamilkodi (1983)\textsuperscript{19} has stated that small savings schemes have a psychological appeal and it provides an opportunity for ordinary men, women, and even children to park their savings. It reaches a large number of people and covers a wide range of areas. She also suggested that efforts should be taken to simplify the procedure of small savings schemes to suit the needs of illiterate and socially downtrodden people. Further, she suggested an increase in the rate of interest of small savings schemes to meet the challenges of commercial banks.

In his paper B.M. Desai (1983)\textsuperscript{20} has stated that rural savings are determined by both “ability” and “incentives” to save. All except two studies reviewed emphasize “ability” though some qualitatively analyze “incentives.” This relative neglect is justified when the positive substitution effect of the “incentives” is off-set by its negative income effect. Such “total” effect does not necessarily arise. “Incentives” variable can be incorporated in both cross – sectional and time – series models, as shown in the two exceptions. Past time – series estimates of rural savings are characterized by reporting, measurement, and analytical weaknesses. Some of these lead to underestimation of these savings.


This, however, does not mean that all of the additional savings are mobilization by the financial institutions. This is because rural households hold their savings in monetized as well as non-monetized forms. Moreover, some of the monetized savings are held in the form of physical assets. Thus, only those monetized savings which are invested in financial assets of the informal rural financial market (RFM) can be considered as potentially mobilizable by the financial agencies. Institutionalization of such savings would improve their efficiency by promoting better allocation among different areas, sectors, economic activities, and also to entrepreneurs. To identify appropriate policies, further literature may be developed by promoting and researching programmes with better rates of return on financial savings, besides those with opportunities to transact other businesses.

2.3 Psychological Factors

Human psychology influences the motivation to investment. Moreover emotional intelligence occupies a pivotal role in investment. Psychological factors generally influence a man to make or note to make investors of a particular investment schemes. Therefore, various attitudes mentioned about the psychological factors are included here.

A man, viewed as a behaving system, is quite simple. The apparent complexity of his behaviour over time is largely a reflection of the complexity of the environments in which he finds himself, considering the enormous number of sources of information that an investor could use for almost any investment schemes in advanced and safety.

Manoj Kumar Dashl (2010)\textsuperscript{21} in his paper titled ‘Factors Influencing Investment Decision of Generations in India: An Econometric Study’ has stated that the modern investor is a mature and adequately groomed person. In spite of the phenomenal growth in the security market and quality Initial Public Offerings (IPOs) in the market, the individual investors prefer investments according to their risk preference. For e.g. Risk averse people choose life insurance policies, fixed

deposits with banks and post office, PPF and NSC. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions. Though they are in the trap of some kind of cognitive illusions such as overconfidence and narrow framing, they consider multiple factors and seek diversified information before executing some kind of investment transaction. The purpose of this study was to determine whether the variables such as demographic characteristics (age, gender) and investment patterns could be used individually or in combination to both differentiate among levels of men and women investment decisions and risk tolerance and develop some guidelines to the investment managers to design their investment schemes by considering these views of individuals.

According to M.L. Sukhdeve (2008)22 “Informal Savings of the Poor: Prospects for Financial Inclusion, when the poor have a choice, they choose to save. Saving safely provides them with a cushion against shocks. Even today, 100 million households have informal savings which are outside the fold of the formal financial system. Tapping the informal savings of the poor and using these resources for development is necessary. Designing deposit products appropriate to the needs of the poor, ensuring convenience and developing mechanisms to mobilise the informal saving are required.

Mittal and Vyas (2008)23 have observed that investors have certain cognitive and emotional weakness which come in the way of their investment decisions. Over the past few years, behavioural finance researchers have scientifically shown that investors do not always act rationally. They have behavioural biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacicy and the type of


investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual.

Earlier studies have been carried out by Schmidt and Sevak, (2006)\textsuperscript{24} to determine the pattern of Institutional investors Investment but Studies dealing with Investment pattern of individual investors are very few. Previous Studies mainly concentrate on Differences in individual investing pattern on the basis of Gender. Differences on the basis of Age in Investment pattern are a new avenue for research. Earlier studies conclude that women invest their asset portfolios more conservatively than their male counterparts. Women’s investment has historically been lower than men’s for several reasons, including Social and various demographic concerns. However the differences continue to be significant even after controlling for individual Characteristics. In making any Investment Decision Risk Aversion and Financial Literacy are a major factor. Although different literatures available on risk define it variedly, in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities.

Ranganathan. S (2006)\textsuperscript{25} finding is that financial markets are affected by the financial behaviour of investors. He observed that consumer behaviour from the marketing world and financial economics had brought together a need to study an exciting area of ‘behaviour finance’. With the reforms of industrial policy-public sector, financial sector and the many developments in the Indian money market, capital market and mutual funds, are also influenced by the investors’ financial behaviour. This study was an attempt to examine the related aspects of the fund selection behaviour of individuals investors towards mutual fund in the city of Mumbai.


Salam Abdus and Kulsum Umma (2004)\textsuperscript{26} in their study have observed the savings behaviour in India. The objective of the study was to find the determinants of savings by analyzing saving behaviour in India over a period of nineteen years i.e., from 1980-81 to 1998-99. The methodology adopted was simple and multiple regression models were used. From the analysis it was found that a favourable macro – economic environment supported by strong structural reforms including liberalization of financial markets should help domestic saving to increase substantially.

Harlow and Brown (1990)\textsuperscript{27} have observed that psychologists tend to believe that an individual’s choice is primarily determined by factors unique to the particular decision setting, whereas economists assume that there is some individual specific mechanism playing a common role in all economic decisions. Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior (Rajarajan, 2002). Gupta (1991) argues that designing a portfolio for a client is much more than merely picking up securities for investment. The portfolio manager needs to understand the psyche of his client while designing his portfolio. Risk tolerant investors behave as though they can control risk. This suggests that risk tolerance serves as a proxy for an ‘illusion of control’ and thus overconfidence [Madhusoodanan (1997); Odean (1998); Barber and Odean (2001); Benartzi and Thaler (2001); Gervais and Odean (2001); and Daniel and Huberman (2003)].

Dunham (1984)\textsuperscript{28} opinion is that although personality factors can change over an extended period of time, the process is slow and tends to be stable from one situation to another. Therefore, these factors are expected to influence the decision making behavior of an individual. Barnewall (1987) finds that an


\textsuperscript{28} Dunham Randall B (1984), Organizational Behavior, Homewood, Illinois
individual investor can be found by lifestyle characteristics, risk aversion, control orientation and occupation. Barnewall (1988) suggests the use of psychographics as the basis of determining an individual’s financial services needs and takes one closer to the truth from the customer’s perspective of need to build a marketing program. Statman (1988) observed that people trade for both cognitive and emotional reasons. They trade because they think they have information, when in reality they make nothing but noise and trade only because trading brings them joy and pride. Trading brings pride when decisions made are profitable, but it brings regrets when they are not. Investors try to avoid the pain of regret by avoiding realization of losses, employing investment advisors as scapegoats and avoiding stocks of companies with low reputations.

Ronald C Lease (1976) used a sample of nearly 1000 individual investors with a wide range of individual investment circumstances and styles to extrapolate the observed behaviour patterns of a larger population. The study brought out the segmentation in investment strategies, trading patterns, portfolio composition and differences in investor attitude. The study found that investors do align themselves with particular investment philosophies and different market segments. It was further observed that the alignment is systematically related to their individual circumstances. The findings of the study suggested the existence of a powerful opportunity for the purveyors of financial services to be selective and persuasive in their appeals to various classes of customers.

1.4 Investors Decision Process

The decision choice process engaged in by investors tends to take are investment or schemes in the literature on investors research; in actuality the investment and choice phenomena cannot be separated. While making an investment in postal investment schemes people give more importance to various factors. Postal investments ensure safety to the investors; hence they follow

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various process before making an investment. In this section, various authors have explained their view in several ways.

The study by Gaurav Kabra, Prashant Kumar Mishra and Manoj Kumar Dash (2010)\textsuperscript{30} titled ‘Factors Influencing Investment Decision of Generations in India: An econometric Study’ aimed at gaining knowledge about key factors that influence investment behavior and ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. The individuals may be equal in all aspects, may even be living next door, but their financial planning needs are very different. It is by using different age groups along with Gender that synergism between investors can be generated. In this context, demographics alone no longer suffice as the basis of segmentation of individual investors. Hence keeping this in mind, the present study is an attempt to find out factors which affects individual investment decision and Differences in the perception of Investors in the decision of investing on basis of Age and on the basis of Gender. The study concludes that investors’ age and gender predominantly decides the risk taking capacity of investors.

The study by Lalit Mohan Kathuria and kanika Singhaniya (2010)\textsuperscript{31} titled ‘Investor Knowledge and Investment Practices of Private Sector bank Employees’ was conducted with an objective to analyze the level of knowledge regarding various investment avenues and present investment practices of employees of private sector banks in Ludhiana city. A sample of 150 respondents was selected from 19 private sector banks in Ludhiana. The study highlights the important sources of information that the respondents used to make their investment decisions. Further, the study revealed that a large majority of the respondents had invested in secured investments like employees provident fund, public provident fund, and post office saving schemes and even, the bank


employees considered insurance as an investment tool rather than risk coverage instrument.

Masami Imai (2008)\textsuperscript{32} opined that the privatization of Japan’s postal saving system has been a politically charged issue since it first started being debated in the late 1980’s and yet it provides a useful setting in which political economy of economy policy making can be investigated empirically. Analyzing the pre-election survey of the House of Representatives candidates in 2003 and also the voting patterns of Liberal Democratic Party( LDP) members on a set of postal privatization bills in 2005, this paper asks why some politicians fiercely opposed (or supported) privatization. The econometric results show that multiple factors are important: the private interests of local postmasters and postal workers, politicians’ fundamental ideologies on the size and role of government, party disciplines and factional affiliations within the LDP. Legislative behavior on postal privatization in Japan, thus, turns out to be one case in which legislative behavior is more complex than any single theory predicts.

Singh and Chander (2006)\textsuperscript{33} pointed out that since interest rates on investments like public provident fund, national savings certificate, bank deposits, etc., are falling, the question to be answered is: What investment alternatives should a small investor adopt? Direct investment in capital market is an expensive proposal, and keeping money in savings schemes is not advisable. One of the alternatives is to invest in capital markets through mutual funds. This helps the investor avoid the risks involved in direct investment. Considering the state of mind of the general investor, this article figured out the preference attached to different investment avenues by the investors; the preferences of mutual funds scheme over others for investment; the source from which the investor gets information about mutual funds; and the experience with regard to returns from mutual funds. The results showed that the investors considered gold

\textsuperscript{32} Masami Imai (2009), Ideologies, vested interest groups, and postal saving privatization in Japan, Public Choice, 2009 Pp 137-160.

to be the most preferred form of investment, followed by NSC and post Office schemes. Hence, the basic psyche of an Indian investor, who still prefers to keep his savings in the form of yellow metal, is indicated. Investors belonging to the salaried category, and in the age group of 20-35, years showed inclination towards close-ended growth (equity-oriented) schemes over the other schemes types. A majority of the investors based their investment decision on the advice of brokers, professionals and financial advisors. The findings also revealed the varied experience of respondents regarding the returns received from investments made in mutual finds.

Gnana Desigan C (2006)\(^{34}\) in his study titled “Investors’ Perception towards Equity Share Investment – An Empirical Study” (2003) has examined the investment pattern of the equity investors and the problems of equity share investors in primary and secondary market. The analysis revealed the attitude and perception of the investors towards equity share investment. The study reveals the demographic profile of the investors. Most of them prefer balanced risk and prefer to monitor their investments daily. It is clear that speculative value is the main factor to make investments in equity shares. The main problems faced by the equity share investors are non-receipt of share certificate and delay in payment. Investors can be induced to invest more in equities, provided measures are taken to overcome the above said problems.

Krishnamurthy Suresh (2004)\(^{35}\) in an analysis of popular perceptions has said that retail investors swarmed back to the stock markets in the year 2003-04. The investments of households in shares and debentures rose by a paltry 8.6 per cent of Rs. 5,847 crore in 2003-04. Households had deposited Rs. 1,69,000 crore in bank deposits while investments in small savings rose 19 percent. The data suggest that in 2003-04 the household investor had turned extremely conservative.

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Schwarzkopf (2003)\textsuperscript{36} pointed out that the attraction effects occur when an inferior item changes a decision-maker’s perception of the relationship between other available alternatives, contrary to the expectations of rational decision-making. This study presented the first evidence that this effects which has appeared persistently in consumer research, can influence investment decisions. Results of an experiment conducted on graduate students with investing experience or interest showed that the investor’s perceived values of reported financial or non-financial performance, quality of earnings, and information source reliability were subject to trade-offs and can be altered by the composition of the decision set, rather than by any intrinsic changes in the investment candidate itself.

Karthikeyan (2001)\textsuperscript{37} has conducted research on Small Investors' Perception on Post Office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Schemes (NSS and Deposit Scheme for Retired Employees (DSRE), and the overall score confirmed that the level of awareness among investors in the old age group was higher than in those of the young age group. No difference was observed between male and female investors except for the NSS and KVP. Out of the factors analysed, necessity of life and tax benefits were the two major ones that influence the investors both in semi-urban and urban areas. Majority (73.3 per cent) of investors of both semi-urban and urban areas were very much willing to invest in small savings schemes in future provided they have more for savings.

Somasundaram (1998)\textsuperscript{38} has found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes were Unit Trust of India (UTI) schemes and plantation schemes. Attitudes of


investors were highly positive and showed their intention to save for better future. Nearly two-thirds of the investors were satisfied with their savings. Both income and expenses of a family influenced the level of satisfaction over savings. A large proportion of investors were concerned about their children's well-being. Among the dissatisfied investors, majority were of the opinion that cost of living was too high. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the most important element. Next, the investors expected regular return from their investments.

2.5 Social Status

Social class or income is more closely associated with specific investor activity particularly with investment patterns. Those who believe that social class is much better than income for investment segmentation claim that income categories are quite often irrelevant in analyzing investments and explaining investors' habits, preference and usage.

M.M. Fasoranti (2007)\(^3\) has examined the influence of rural savings mobilization on the economic development of the rural dwellers. One hundred respondents were sampled with the aid of well structured questionnaire in Akoko North West and akoko South Easte Local Government Areas Ondo State. The study employed multistage sampling techniques. The study also covered Okada riders, petit traders, farmers, catering and food selling and tailoring associations. The result showed that age bracket 21-30 years participated most in rural saving mobilization followed by 31-20 years age bracket. The study also revealed that majority of the respondents had a minimum of primary education among other things, majority of the respondents are self employed. As for the purpose of loans obtained, 56% of total respondents used it to either improve or establish the businesses while 29 and 15% used it for human development ( i.e., self and

children education) and other unspecified purposes, respectively. The regression results showed that saving mobilization in the rural areas is positively related to investment, asset acquisition, human development and personal income. Hence these socio-economic variables will increase if savings mobilization through rural cooperative movement is encouraged among the rural dwellers. This is an indication that rural saving mobilization is an important factor in the economic development of the rural area. Hence, rural dwellers should be encouraged to join at least one rural cooperative society as this will empower them for better living.

The study of Farrukh Iqbal (2007)\textsuperscript{40} estimated interest elasticities of rural savings and investment in a major development country, India, and examines the apparent effects on those factors of policies of financial repression. Critics claim that such policies inhibit rural savings and investment. The results, however, do not support such criticism. Interest – rate variations are found to exercise a weak (positive) effect on savings but a strong (negative) effect on rural investment, which suggests that low- interest – rate policies have a small “cost in term of savings forgone and a large “ benefit” in terms of investment achieved. A low – interest- rate policy may be preferred, therefore, in countries where the rate of rural investment is perceived to be considerably below some socially desirable level.

A study by Toshio Taki (2007)\textsuperscript{41} titled “ Investment Trust Distribution in Japan: Japan post and Banks ” showed that growth in the assets held in these investment trusts has been driven by the large-scale sale of the Balanced Fund with bimonthly dividends and the Foreign Bond Fund. In the sales handled in parallel by the bank, a shift in product preference is underway from foreign bond funds to balanced funds and domestic equity funds. This paper discusses the post office’s emergence as a major player and explains how its presence is changing the investment trust market.


According to Gao Wen and Masaaki Ishida (2001)\(^\text{42}\) rural finance includes both allocation of credit and mobilization of savings. And like many other researchers have pointed out that no rural financial markets can be soundly developed without savings mobilization, and financial institutions depending on internal savings are more viable and efficient than those that depend on external funds from government, the central bank and foreign donors. In China, capital formation in the agricultural sector depends more and more on the saving mobilized in rural areas. This paper obtains a clear picture of current status of rural savings mobilizing in China. This attempt will be done in the steps of showing quantitative growth of savings mobilized by rural financial institutions, analyzing the savings behavior of farm households and appraising the major policies an programs on this problem. Emphasis will be given to rural credit Co-operatives, for the reason that they have played the most important role in the mobilization of small rural savings from farm households.

Palacios Robert and Y Vonne Sin (2001)\(^\text{43}\) in his study has observed the challenges of old age income security in India. It was found that one eighth of the world’s elderly population lives in India. By 2020, about 15 percent of the population will be over age 60 in Tamil Nadu and Kerala – roughly the same proportion as Australia today. The study concluded that reforms would provide current and future contributors with a viable alternative to a traditional family support system that will come under increasing strain in the course of the demographic transition.

Gavini, Augustine, L., and Prashanth Athma (1999)\(^\text{44}\) have found that social considerations, tax benefits, and provision for old age were the reasons cited


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

An All-India Survey(1998)\textsuperscript{45} titled “Household Investors’ Problems, needs and Attitudes”, conducted by the Society for Capital Market Research and Development revealed the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc. The study noticed a significant shift of investors from equity shares towards high quality domestic financial institutions. However, bonds were still far behind shares in terms of market penetration. An important note was that a majority of retail investors were not influenced by credit ratings and also expressed their ‘no confidence’ in these agencies.

The study by Banks, J. and Tanner, S. (1996)\textsuperscript{46} “Savings and Wealth in the UK: Evidence from Micro-Data” forms the first part of the enquiry into ‘Who Saves What and Why?’, funded by the IFS Savings Consortium and co-funded by the Economic and Social Research Council (ESRC) Centre for the Microeconomic Analysis of Fiscal Policy at the Institute for Fiscal Studies.

Radha V (1995)\textsuperscript{47} in her study titled ‘A study of Investment behaviour of Investors of Corporate Securities’ (1995) has examined the investment plan of corporate security investors in TamilNadu. The analysis revealed that the largest segment of the sample was constituted by young generation investors. They were generally better educated and male investors were reported to dominate the investment scene. Salaried group investors were reported to dominate the share ownership position. Also, major parts of the samples were found having savings but their capacity of saving was very limited. While probing the pre-investment


behaviour and investment objectives, it was found that investors formed certain primary objectives and gave importance to them while making investment plans.

According to Koichiro Kamada (1993)\(^{48}\) in Japan, there has been growing debate about the competitiveness between “Postal savings Certificates” (PSCs) offered by the Ministry of Posts and Communication and time deposits offered by private banks. Since PSCs have an “American put – option” Characteristic, the “option premium” implied in PSCs should be taken into account explicitly. Since the interest rates have been regulated, We must devise a new option pricing theory based on imperfect arbitrage under such assumptions as depositor’s risk neutrality and Markov property in the interest rates movements. Empirical analyses show that the advantage of PSCs over time deposits offered by private banks increases as depositor’s holding period becomes longer and the current interest rates become higher.

Arangasami (1992)\(^{49}\) has observed that more and more dependence on mobilization of resources through small savings will ensure and promote self-reliance. He concluded that the Central government should give proper assistance and encouragement to the small savings agencies, which will be useful not only in mobilization of funds but also for the economic development.

The study by Mukhi (1989)\(^{50}\) has revealed that NSC has been one of the most popular tax savings instruments in this country. He has stated that contractors and others who have to provide security while bidding for contracts find it extremely convenient to buy NSC and pledge these to the appropriate authorities while earning 12 per cent interest per annum on the pledged securities. He also stated that the major attraction of NSC is its simplicity. Even the average investor does not have to scratch his head to understand the scheme.

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\(^{48}\) Koichiro Kamada (1993) Boj Monetary and Economic Studies, VOL.11, No. 2,


Jayaraman (1987)\textsuperscript{51} has stated that instead of issuing special bonds for unearthing black money the Government of India can encourage investment of black money in various small savings schemes. He further stressed the need to draft the assistance of voluntary agencies at the school and college level for further mobilization of savings.

Arnold and Moizer (1984)\textsuperscript{52} investigated the methods used by the U.K. investment analysis to appraise the investments in the ordinary shares of companies and they found that the principal share appraisal technique used by investment analysts was fundamental and dividend yield was used for appraisal. None of them mentioned that they used technical analysis. The most influential sources of information according to investment analysis perception were found to be the company’s annual profit and loss account, balance sheet and its interim results.

Blume Marshall E., J.Crockett and I Friend (1974)\textsuperscript{53} studied the characteristics and trends of stock ownership in the United States. Their study found a mild relationship between dividend yields of investor portfolio and investor tax brackets. Another work by Blume and Friends (1975) concentrated on the asset structure of individual portfolios and its implications for utility functions. This paper documented the degree of diversification in individual portfolios and explained the investors’ utility function for the household who diversified portfolios.


Shantilal Sarupria (1963)\textsuperscript{54} in her study ‘Individual savings in an undeveloped economy – India: A case study’ has made an attempt to disprove certain widely held views about the individual’s saving behaviour in an undeveloped economy like India and suggested the ways of potential savings which could be mobilized for investment. It was regrettably contended that a large section of our population held their savings in the form of gold, hoards landed property and other unproductive assets. This view was supported by the estimates of National Council of Applied Economic Research and Reserve Bank of India during the period between 1957 and 1959.

National Council of Applied Economic Research (NCAER) (1961)\textsuperscript{55} 'Urban Saving Survey' noticed that irrespective of occupation followed and educational level and age attained, households in each group thought saving for the future was desirable. It was found that desire to make provision for emergencies was a very important motive for saving and importance was given next to 'saving for old age'. Among motives for saving, provision for emergencies, old age, and purchase of house occur with same frequencies in all occupational and educational groups. The proportion of households expressing a preference for financial assets increases with the level of education. The preference for financial assets, especially bank accounts and small savings, while rising markedly with education, does not seem to increase with income, except at the lowest end of income distribution. Thus, it would appear that efforts must be made to popularize financial forms of savings particularly among the less educated members of upper-income group. Profitability seems to be the most important motive for determining saving preference. Safety is another significant consideration for most people and liquidity ranked third.


\textsuperscript{55} NCAER, (1961), 'Savings in India', New Delhi
Section Summary

This chapter has given a short review of the prior relevant studies on this subject. The next chapter gives an overview of the area under study that is Dharmapuri District.