CHAPTER – II

Review of Literature
2.1 INTRODUCTION

The previous chapter dealt with the investment pattern, behavior of investors especially the working women investor’s financial aspects, savings, need for the study, research objectives, limitations of the study and research methodology used.

The current chapter examines the findings and suggestions given by various authors related to the research topic. This chapter explains the meaning of Investment and Investor. It also deals with the awareness level of investors on various financial investment avenues, their preference, decisions on various options and finally measures their satisfaction level.

2.2 UNDERSTANDING THE CONCEPT OF INVESTOR

An investor is a person who has an idea to make profits from his savings. The concept of Investor, purpose of making investments, reason behind his investments are discussed by various authors in detail.

Cecily.S and R. Rangarajan, 2012 stated that an Investor is a person who invests money in order to make a profit. Many investors do not want to take risk of capital market volatility and prefer mutual fund as the best investment avenue. They concluded that the increase in the number of players operating in mutual fund industry and its sustained growth in fund mobilization is led only by more investors preferring mutual fund investment.

D. Harikanth& B. Pragathi, 2012 stated that there is a significant role of income and occupation in the selection of Investment Avenue among investors. Geographical horizon of the investors, risks bearing capacity, educational level, age, gender and risk tolerance capacity etc., also make an impact in their selection.

Giridhari Mohanta & Sathya Swaroop Debasish, 2011 states that investor is an individual ready to invest for meeting their financial, social and psychological
need. But the investor always had a mindset of safety and security, higher capital gain, secured future, tax benefit, getting periodic return or dividends, easy purchase and meeting future contingency.

Jeyabal.G and G. Prabakaran, 2009 specified that the mutual fund investors are from low and moderate risk tolerant groups and the socio economic variables alter the risk tolerance of individual investors. The mutual fund organizations must look into these socio-economic variables of the investors that have an important impact on investment decision making. In addition to that, mutual fund organization must concentrate on creating awareness among retail investors, controlling the operational costs, penetrating in the rural areas, curbing the unethical practices, spreading the mutual fund culture, maintaining transparency and flexibility, introducing creative products, creating a good rapport with the investors which also enables the mutual fund investors to have a high level of risk tolerance.

2.3 RAMIFICATION OF INVESTORS

The ramifications are the wider effects that fan into the world from one situation or decision. It also refers to branching out, like limbs on a tree which is what bad decisions tend to do. It is like the consequence, which is usually unintentional and bad. Here the authors have discussed about the different types of investors, investments and their consequences.

Stern. P. Walter, 1969 identifies the two broad styles of investing that are emerging: firstly the “Guns Lingers”- the aggressive investor, who feels that he can identify changes before he invests and capitalize on it. He is an identifiable, young, able, arrogant and deals in only concepts and not in price earnings ratio. He is “opportunity oriented’ and checks out every idea being presented to him before he acts. He also wants freedom to act quickly. Secondly the ‘Serious long term investor”, basically interested in earnings trend, concepts concerned with area of long term growth and fundamental work. He is basically less concept oriented and more profit earnings ratio oriented.
Rajarajan, V., 2000 examined the investors’ lifestyle, investment size, pattern, preference of individual investor on the basis of their lifestyle in Chennai district. The investors were classified into three main groups’ viz. active investors, individualists and passive investors. Cluster analysis, Correspondence analysis and Krushal Wallis test were used to study the correlation between lifestyle groups and various investment linked characteristics. Active investors group was dominated by officers, individuals group by clerical cadre and passive investors group by professionals. The expected rate of return from investment varied between investment styles. The study clearly stated that market position of the shares, company’s operating level, capital performance and the anticipation of the investors were seem to influence the risk perception of the investor.

Arnold and Moizer, 1984 in their article stated that investment analysts are both investors in their own right and also advisers to other institutional and also individual investors. The authors found that the principal share appraisal technique used by investment analysis was only fundamental analysis. The most influential sources of information according to investment analyst’s perception were found to be the company’s annual profit and loss account, balance sheet and its interim results.

2.4 FINANCIAL BEHAVIOUR OF INVESTORS

All investors are not of the same character. Each investor has their own way of investing in different investment avenues. The behaviour of investors also depends on demographic factors, market situation, etc. Here the authors have studied the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets.

Ranganathan, 2006 stated that financial markets are affected by the financial behavior of investors and consumer behavior from the marketing world and financial economics had brought together a need to study an exciting area of ‘behavioral finance’ and thus studying the behavior of investors also holds importance.
Ameriks and Zeldes, 2004 studied the empirical relationship between age and portfolio choice. By documenting three key features of portfolio behavior, non-stock ownership, heterogeneity in portfolio allocations and infrequent portfolio allocation which changes over time, it was detected that share of wealth held in stocks increased with age which was challenging the advice by financial advisors which stated that when the individual’s age is high, the fraction of wealth in equities is reduced.

2.5 FACTORS DETERMINING THE INVESTMENT

The key to investing is, to focus on what one can control, rather to worry about something which cannot be controlled. There are various factors which determine investment. The risk appetite, investment horizon, investible surplus, investment need, expected returns are the major factors which affect the investment. Suggestions of various authors after their study on investment decisions have been discussed.

Sunny Kutty Thomas and M.N. Rajesh 2009 suggested that Liquidity and safety should be the major factors while making investments. Economic condition and market situation must be properly evaluated while making investments and the investors should adopt a diversified and liquidity oriented approach while constructing and handling the portfolio for investment. Systematic risk can be minimized by a detailed analysis of the economic situation and the market condition while making investment and unsystematic risk of the investment can be minimized by way of a detailed analysis of financial statement of concern, government policies and strategies, past history of the concern and the financial management system of the concern.

Sanjay Sehgal, G.S.Sood and Namita Rajput 2009 made an attempt to establish a relationship between certain factors such as economic, market, regulatory etc. with the investor sentiment besides concluding the relationship between investor sentiment and stock returns. A survey was done to obtain the information from different stakeholders in the market system such as institutional investors, market intermediaries and market regulators to understand these relationships. The critical factors were ranked on the basis of comparative important position within each category separately.
Ledereich and Siegal, 1988 highlighted the role of factors like age and health, marital status, family status, objectives, risk tolerance, investment preferences liquidity, employment stability and tax rate in personal financial planning. This paper stated the need for an accountant’s involvement in personal financial planning of their clients. It also provides a background of the variables to be analyzed in a research based on individual investors.

2.6 OBJECTIVES OF INVESTMENT

There is truth to the axiom that there is no such thing as a completely safe and secure investment. The safest investments are the ones that are likely to have the lowest rate of return or yield on the investment. All the investors do not have the same objective and it varies from person to person. The perception of various investors are discussed below.

Shanmugam, R. Muthusamy P., 1998 studied the views of individual share investors on their investment objective basis, approach to various investment decisions and the nature of their equity portfolio. The study stated that majority of the shareholders were young first generation investors belonging to the salaried class. The time spent on investment analysis was inadequate for the investors and equity portfolio diversification was moderate. Regional industry had its impact on industrial portfolio. The educational level of investors had an impact on the use of technical analysis and the occupational category had an impact on the use of fundamental approach.

Inbalakshmi.M, 1992 found that investors invest money in Mutual Fund with a number of objectives in mind such as earning income, capital appreciation, tax planning and security to life, safety etc. Moreover investment of Mutual fund managers in various portfolios helps the investors to escape from high risk.

Hoffman, Shefrin and Pennings had conducted a study on Behavioural Portfolio Analysis of Individual Investors. The main content of the research was to identify the investment objectives and investment strategies of various investors. The authors had used a survey to measure the Behavioural tendencies and
psychological biases of investors. Data was acquired on a variety of variables such as investment objective, investment strategy, ambition level, risk profile, and investor sophistication. It was concluded that investors comparatively preferred more of fundamental analysis of investments as compared to technical analysis.

Yesodha Devi N, et.al. 2008 confirmed that the response of the salaried income group towards various savings schemes and investment is poor. Their intention being tax savings, they prefer provident fund and life insurance policies. Steps must be taken to create awareness among the investors about other savings schemes and various investment avenues. The advertisements for various investment schemes are not satisfactory as a majority of the respondents are aware of the various schemes only through friends and relatives. Therefore it is recommended to various financial institutions to adopt a broad advertising strategy.

2.7 ROLE PLAYED BY THE DEMOGRAPHIC FACTORS IN INVESTMENT

Most of the theories in security market are based on the notion of rational investment decision behaviour from investors. It has been observed that this is not the case always. A new area of research recognizes the psychological element in financial decision making and thus challenging the traditional models. Demographic factors such as age, income level, marital status, level of education etc. plays a major role on the investment decision.

Adeline Getzie.W, 2008 found that factors such as marital status, size of the family, number of dependents, monthly income and number of earning members have a substantial influence on the amount of investments whereas age, sex, type of family and sources of funds did not have any impact on the investment level.

Rajarajan, V., 2003 sought out the actual association between demographic characteristics and the risk bearing capacity of investors in India. The association between age, income and the risk bearing capacity of the investors are very high. The salaried members constituted the major part of all risk categories.
Ranjith, V.K., 2002 revealed that higher the age leads to the increase in tendency to invest and to take risk also declines. Individuals who get regular income are actively involved in share business. The respondents who are graduates actively participate in investment activities. The investors’ awareness about the investment decisions is also limited to financial performance of the company.

Warren et al., 1990 made an attempt to develop life style and demographic profiles of investors based on the value and types of investment holdings. The authors stated that in a diversified market, demographic characteristics alone may not be sufficient to serve as a basis for segmenting individual investors. This study was based on mailed questionnaires to 600 households. Multiple discriminate analyses were used to find whether investment patterns differed according to demographic and life style dimensions. The results showed that life style dimensions not only helped to differentiate between investor behaviors types as active or passive, but was also useful in differentiating between small and large investors in particular investments namely Stocks and Bonds.

Gupta and Ramesh, 1993 studied the importance of considering individuals characteristics in portfolio management. An analysis of an Individual investor condition requires a study of his personal characteristics such as age, health condition, personal habits, family responsibility, business or professional situation and tax status. All these factors affect the investor’s willingness to take risks.

2.8 AWARENESS LEVEL OF INVESTORS

Awareness is the ability to directly know and perceive and to feel or to be conscious of events, objects, thoughts, emotions or sensory patterns. The authors have discussed the awareness level of investors and the consequence of their investment.

Shobhana V. and J. Jayalakshmi, 2009 observed the level of investor awareness regarding investment options and their investment risks. The analysis discovered that the investment in real estate is preferred by a majority of the investors. The second most preferred investment avenue is bank deposits.
Awareness about investment options and risks are high among aged, highly educated and those who are professionals by their occupation. Demographic variables such as age and education does not have any significant influence over investor’s awareness but difference in occupational status leads to changes in the awareness level of Investors.

Dhananjoy Rakshit, 2003 found that the small investors are not much aware about the stock market. The investment companies should create confidence among small investors regarding investing in stock markets which will further strengthen the market integrity in the country. It was also found that small investors refer the price earnings ratio, beta value of the share through the data bank published in some investment magazines before making their investment decisions.

Rajakumar, 2008 states that customers’ attitude towards purchase of insurance products is more in India as this is one of the traditional mode of investment but their awareness level is very much limited as many investors are not interested in knowing the benefits of Insurance.

2.9 DECISION MAKING PROCESS OF INVESTORS

Decision making is the process of making choices by setting goals, gathering information, and assessing alternative occupations. Investment decisions by the investors has been studied by various authors and discussed below.

Kartivey Koti and Karthikeyan G.B, 2015 explored that decision making process is based on making choices that result in the most optimal level of profit or utility for an individual. It was alleged that the main and primary motive of investment among the small and individual investors is to earn a regular income either in the form of interest or dividends on their investments.

In a report by Franklin Templeton, 2014 it was stated that value of money varies with circumstances. Losing money is twice as much painful compared gaining a rupee. Different heaviness is put on gain and losses. Hence, investors decide to select options which have more risk to avoid loss than to get more gain.
Also, investors have bias to maintain status quo which prevents them from rebalancing their portfolio.

Raj, M.S. et al., 1998 found that the investment experience of the respondents is not uniform. Investment decisions were generally taken by the respondents themselves. The alternative sources contributing to investment decisions such as advice and information are obtainable through friends, relatives, consultants and media which are also not so significant. The factors which motivate investment decisions are safety, liquidity and convenience and price differences. For precautionary and contingency purposes a tendency of favoring safe securities such as cash and bank deposits was shown by the sample households.

Palanivelu & K.Chandrakumar, 2013 highlights certain factors of salaried employees like education level, awareness about the current financial system, age of investors etc. which has significant impact while deciding the various investment avenues.

Lewellen Wilbur. G, 1977 ascertained the portfolio decision making process of each individual investors. Data collected from 972 individual investors residing in U.S showed, age has a strong influence on the portfolio goals of the investors. Investors of young age desired for short term capital gains, whereas aged investors had interest on long term capital gains. Age and risk taking were inversely related to each other. Women investors mostly depend on brokers or agents unlike men.

Stovic Paul, 1972 examined the use of psychological approach in the field of financial decision making process. He studied that many decisions were not made by individuals themselves but in groups through spouse, parents or friends. The final conclusion was that decisions made by groups were riskier than the choices taken by individual members independently.

Mrinalini Shah and Anurag Verma, 2015 in their study stated that individuals whose major segment investment is in equity market studies its details sensibly. The study compacts with the behavioral and demographic aspect of youth investors. It was established that majority of people who invest in share market do it
after doing proper research. But there is also a large segment of investors who invests in traditional modes of investing like fixed deposits, Insurance, PPF. These people only invest less than 10% of their disposable income in equity market. Also, expert views plays a major part for investors in selection of stocks.

The study by Daniel Nevis, 2015 draws the attention to the irrationalities clouding the minds of investors which are often barriers to a good investment tool. The paper also draws light on the behavioural dynamics that drive investor sentiments and challenges.

Pandurangan.G., 1993 in his research stated that the youngsters between 20 to 40 years preferred investing in securities which produces high returns though there is high risk. Investors in the age group of 50 and above were not much interested in these types of investments and only preferred investments with less risk though returns are also comparatively less.

Meera.E., 1995 in her research work conveys strategies for equity investment and portfolio selection and portfolio evaluation.

Radha V., 1995 observed the investment plan of corporate security investors in Tamil Nadu. The analysis exposed that the largest segment of the sample was constituted by young generation investors. They were generally better educated and male investors were reported to have dominated the investment scene. Salaried group investors were reported to have dominated the share ownership position. Most of the investors intended to divert a part of the savings safely in fixed income securities, so that they could make use of the balance in speculative activities.

2.10 SAVINGS AND INVESTMENT PATTERN OF INDIVIDUALS

Savings is income not spent or deferred consumption. Investment pattern is an act of investment to achieve the desired objective. The savings and investment pattern of individuals are discussed below.

V.K.Somasundaram, 1999 observed the savings and investment pattern of salaried class investors. An in-depth analysis was done to identify the level of
awareness, attitude, factors which influence the investors to save and invest, average savings of investors, pattern of savings, conversion of savings into investments, investors preference etc. Questions like why people save and what make them not to invest, problems faced by the savers and investors were also analyzed and interpreted. Appropriate recommendations have been made to make the investment climate more congenial and striking to the investing community.

Pulpre Balakrishnan, 1996 elucidated the latest trends in savings behavior in India. It was found that the total savings during the study was about 22 percent of the total income and household sector alone constituted 19 percent of the total savings, financial assets accounted for 15 percent and physical assets 15 percent.

Gnana Desigan, C. 2006 has observed the investment pattern of the equity investors and the problems of equity share investors in primary and secondary market. The analysis exposed the attitude and perception of the investors towards equity share investment. The study discloses the demographic profile of the investors. It can be seen that most of the equity share investors use up to 10 percent of their income to invest in equity shares. Most of them prefer balanced risk and prefer to monitor their investment daily. It is very clear that speculative value is the main factor tempting them to make investment in equity shares. The main problems faced by the equity share investors are non-receipt of share certificates and also sometimes delay in payment.

Hamid Bahmanpour, 2002 recognized the determinants of savings and investments which are drawn from the life cycle model of consumption in which individuals maximize the present value of their life time utility, with a budget constraint concerned to whole life income. The amount of savings have been affected by variables like population, changes in income, interest rate inflation and tax rates.

Kasilingam.R and Jayabal G., 2008 investigated that 95 percent of Indians agree to save their income and 75 percent of people have high level of motivation towards savings. It was found that the level of motivation has a significant influence
on the size of savings. India has high savings rate because Indians have high level of motives to save. The capacity to save is one of the factors which regulate savings.

Shanmugam R., 1997 in his research work examined the primary data of Coimbatore investors, who invested in equity shares. The study dealt with the characteristics and goals of investors and the nature of investment patterns. The study used a chi-square test and the analysis of variance. The major findings of the study were: The investors largely belonged to salaried group and they made investments on a long term basis. Most of the investors were also of young age and first operation investors. The study is limited to Coimbatore only which considered only equity investors. The study provided insights for the preparation of a questionnaire for primary data and for forming a general appraisal about the investors.

Ajay and Singh, 1979 stated the reasons for savings, attitude towards savings and extent of risk taken by respondents in Delhi. The authors found that age and occupational status play a very important role in savings, investing and risk taking process of investors. The satisfaction level of savings is higher for household investors and persons who reside in their own houses have higher income and high savings.

Shetty. S.L., 1997 identified the two fundamental limitations of inadequacy of domestic savings which are the narrowness of the domestic market, gradual reduction in the Governments development expenditure.

Thomas V.K., 2005 suggested an optimal plan of saving schemes which will bring maximum return and lesser tax burden to the tax payers. In the new scenario, the savings in the form of contribution of Provident fund or Pension Fund makes a major portion, tuition fee paid for children also take a small portion. Those who have housing loans can opt for enhanced payment of Housing Loan principal amount. It has the benefit of reducing the interest liability. For the rest of the amount at the disposal, 20per cent to 30 per cent has been invested in reliable mutual funds promising high returns. 20 per cent to 30 per cent can be set aside for insuring the life of the assesses, his or her spouse, children including major children. Those
persons who are about to retire within 10-15 years can better choose a pension fund that falls due, after retirement.

In an empirical study done by Lewellen, Lease and Schlarbaum, 1977 studied the patterns of investment behaviour in case of individual equity investors and also the connection between those patterns of investment. The variables that were considered were broadly grouped under four categories namely basic portfolio objectives, information collection and decision mechanics, instrument selection and portfolio composition, and return perceptions and market attitudes. It was detected that the objectives of investment and the risk bearing capacity of individual investors varied significantly across different age groups and to a slighter extent across income classes.

Kanagasabapathy K., 2001 puts across the perception that in the economic sense, the savings behavior effect a nation’s consumption behavior. Savings may be influenced by the investment opportunities or investment demands, which in turn depends upon the growth prospects and the potential returns available. The quantum of savings also depends upon the financial avenues available in the economy for mobilizing such savings particularly from the household sector in the form of well-developed financial system with a number of institutions and markets for different financial instruments. The study also stated that nation’s economic policy also effects the savings behavior of its citizens.

Bhardwaj Rajesh, RahejaRekh and Priyanka, 2011 analyzed the Income and Savings Pattern of Government and Private Senior Secondary School Teachers. The study stated that the major source of income of Government teachers is salary income while tuition fee is for private teachers. Mostly Government & Private teachers used both Bank Deposits and Life Insurance for investing their savings amount. Government school teachers tend to receive more perks in comparison to private teachers. The main objective of savings of Government teachers is for emergency purposes and security while for private teachers it is mainly children education and purchase of consumer durables.
Mathivannan S. and M. Selvakumar, 2011 studied the saving and investment pattern of school teachers with reference to Sivakasi Taluk, Tamil Nadu. The study states that in the current situation, the teaching community has started realizing the importance of money and money’s worth. The individuals are initiated to prepare a budget for the proposed expenses and compare it with the actual expenses met by them, so that they are not influenced by various other tempting and trendy expenses.

Dhiraj Jain and Parul Jain, 2012 examined the savings and investment pattern of school teachers of Udaipur District, Rajasthan. The study concluded that in the current generation money plays a vital role in an individual’s life and that the importance of money has started being recognized by the working people. Individuals know the importance of money and hence they are initiated by themselves to prepare the future budget and lessen down their expenses to meet the future contingencies. It has been proved from the study that majority of the school teachers save their money for the determination of their children’s education, marriage and as security after retirement.

Srinivasan R., 1996 attempted to make a point on the lapses in the various legal provisions which all meant for safeguarding the interest of individual investors in corporate segments. He has observed the present state of capital and stock market operations. It had been perceived that the capital market has emerged as a major source of finance for Indian corporate sectors and also served as a gateway to the investors to employ their savings on various investments.

Sunil Gupta, 2008 studied the investment pattern among different groups in Shimla and revealed a clear as well as a complex picture on the investments. The complex picture here means that the people are not aware about the different investment avenues available and they did not respond positively, maybe it was difficult for the individuals to understand the different avenues. The study stated that the more investors in the city prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The approach of the investors towards the securities in general was miserable, though service and professional class investors mainly invest in shares, debentures and in different
mutual fund schemes. As far as the investments are concerned, people put their surplus money in banks, past offices and other government agencies. Most of the horticulturists in Shimla city who belong to Apple belt though being rich have a propensity of investing their surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety, liquidity and suitability of returns.

Manish Mittal and Vyas, 2008 stated that investors have certain cognitive and emotional weaknesses which arise in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically found that investors do not always act rationally. They also have behavioral biases that lead to systematic errors in the technique they process information for investment decision. Many researchers have tried their best to classify the investors on the basis of their relative risk taking capacity and the type of investment they prefer. Empirical evidence also states that the factors such as age, income, education and marital status affect an individual's investment decision. This study classified Indian investors into various personality types and explores the relationship between various demographic factors and the investment personality showed by the investors.

A survey was conducted by Ananda Vikatan (A Tamil weekly magazine) during January 1999, there the public were interviewed on the different aspect of savings and their savings habits. Among them a salaried class investor admitted that he was in the habit of allocating 20 Per cent of his income in savings every month in the form of either a fixed deposit or a recurring deposit. In addition, he would also spend a certain by depositing in a bank or a non-banking financial company. In the occasion of his getting substantial pay arrears, he would deposit the whole amount in banks keeping in mind the future of his children. He admitted that he would never fall into debts due to his proper savings plan. Another investor, being a housewife stated that she had invested in real estate and gold and rarely does she invest in non-banking financial companies. Another interviewee confessed that her family was a large one comprising of four daughters and two sons and that she had to manage with difficulty their education and family expenses resulting in lack of savings. But
after many years her children have been well settled in life and so they could save a considerable amount. Another investor felt that the savings is important and the habit of savings should start from one’s early part of life. In future she could not imagine to save much in view of children’s education and marriage. She also held the view that an individual should be prepared to sacrifice certain luxuries in life, so that one could lead a happy and peaceful life in future.

Bandgar, P.K., 2000 stated the existing pattern of Financial instruments in India and the preference of middle class investors, their behavior and problems. The study revealed that only 16 per cent of the investors faced difficulties in buying and selling securities. Middle class investors were highly educated but they lacked skill and knowledge to invest. Female investors less preferred to invest in risky securities as compared to male investors. The study also revealed that there was a moderate and continuing shift from traditional bank deposits to shares and debentures and a massive shift towards traditional financial instruments namely LIC policies and Government securities.

A survey was done by Merrill Lynch, Private Banking & Investment Group, 2013 reported in On Wall Street in the age group of 20s-30s investors, it was stated that the younger investors prefer face-to-face or phone contact over social media outlets like Facebook, Twitter, or LinkedIn when staying in touch is concerned. Other factors that was found were that almost 70% of respondents believe in the way their parents or elders invested, most of the investors used traditional way of searching information for investing. It was also found that young investors want advisors who are of their age group so that they can understand their life stage needs and can communicate with their generation.

Anantha Padmanabha Achar, 2012 made an empirical study on saving and Investment Behavior of Teachers. In the final analysis individual characteristics such as age, gender, marital status, and lifestyle determined the savings and investment behavior of teaching community in the study region. In a similar manner, their family characteristics such as number of members in the family, monthly
family income, stage of family life cycle, and upbringing status emerged as determinants of their savings and investment behavior.

Sachithanantham, et al., 2007 studied the connection between capital market reforms and amount of money invested by different investors. Over the years, capital market reforms have definite influence over the investment pattern of investors. Investor’s perception regarding capital market reforms also clearly indicates as to whether these reforms have positive or negative influence over investors’ investments at the capital markets. From the analysis, it was concluded that educative and attractive reforms are statistically significant but also have negative relationship with money invested at the capital markets.

Kalavathy S., 2009 explains the awareness of savings and Investment modes among individuals, factors which influences the savings and investments, preferences, perceptions and satisfaction towards the savings and investment avenues. It was found that as the proportion of population increases, the working age group of 15-64 years also will increase in the near future. Hence the demographic extra savings on investments are also likely to increase. The study shows growth in real interest rate, growth in per capita income, spread of various banking facilities and the rate of inflation has statistically significant positive influence on domestic savings.

### 2.11 INVESTORS PREFERENCE ON VARIOUS INVESTMENT AVENUES

Preference is a greater liking for one alternative over another or others. The views of different authors about investors preference on various investment avenues is discussed below.

Hema.S., 2007 analyzed the various investment avenues which are available to women investors. Among the various avenues they mainly prefer Bank Deposits. The major reason for opting this investment is largely owing to safety measures. Next to bank deposits, life insurance schemes and gold are the other investment avenues preferred by them. However some respondents are interested in investing in
shares they do not have much awareness towards shares. Similar is the case also with regards to mutual funds.

Meenakshi Chaturvedi and Shruti Khare, 2012 stated that most investors prefer the traditional investment Bank Deposits as their first choice of investment, secondly small saving scheme followed by the life insurance policies.

Society for Capital Market Research and Development 2004 recognized the investor’s preference, problems and policy issues. The study was based on direct interviewing of a huge sample of 5908 household heads over 90 cities and across 24 States. The study concluded that price volatility, price manipulation and corporate mismanagement or fraud have been the household investor’s top three problems in India. A huge percentage of investors had a negative opinion on company management. A major portion of retail investors in India do not regard mutual fund equity schemes as a superior investment alternative to direct holding of equity shares. Retail investors prefer bank deposits relatively than liquid or money market funds. A shareholding in 3-10 companies are the dominant practice among retail shareholders in all income and age classes. Middle class investors are traditionalist and they invest for longer period. Equity shares have achieved a much higher degree of penetration among middle class households compared to other capital market instruments.

Job.K.E., 1995, classifies the relationship between Income and Savings schemes of employees. This study also states the reasons for preferring a particular investment scheme and utilization of tax concessions by the employees. The findings of the study are savings which are made to get regular income in future. Profitability, liquidity, safety, tax concession and appreciation are the main reasons for Investments.

In a survey conducted by ORG-Marg Research Organization, 1999 “Investors Choices over the Investment Avenues” exposed that majority of investor’s favored fixed deposits in banks. Post office savings schemes, insurance schemes, bonds issued by governmental organizations. Equity shares were less preferred by investors. Mutual fund schemes mainly meant for small investors were
the least preferred. The survey was conducted to know the most important factor, which influences one to prefer one investment avenue to another. Seven parameters namely capital appreciation, safety, liquidity, rate of return, guaranteed return, manageability and tax shelter were incorporated in the interview schedule to identify the preference of investors. Guaranteed return coupled with capital appreciation was mainly expected by most of the investors.

Jawaharlal, 1992 recognized the behaviors of individual investors using a questionnaire method. The study covered major cities in India. 1200 shareholders and debenture holders were selected at random for the study. The study discovered that individual investors prefer to invest in more than five companies and preferred a large portfolio. They mostly lacked knowledge and experience in accounting matters. There was a strong positive association between level of understanding and volume of shareholdings. The study specified that the disclosures made by the investment companies, need to be improved for the benefit of the investors.

Arul Stephan and V.Darling Selvi, 2009 specified that it is necessary on the part of the elders to find a definite source of income for themselves. The senior citizens have different alternative avenues of investments for their savings in accordance to their preference. A positive idea about investment will provide senior citizens a steady income which will help them in the phase of rising cost in future. As all the investments are not similarly good, awareness of various schemes and the rights of the aged will help them to select the best suitable investment avenue.

Challan, G.V., 2003 initiated that a majority of the investors prefer real estate investments followed by mutual fund schemes, gold and other precious metals. The investors invest more in real estate assets followed by household sector. Most of the investors like to invest in debt instruments owing to their assured and risk free return. It is also initiated that a majority of the investors are very much interested in investing in growth schemes to take the reinvestments benefits rather than the regular dividends they get.

Gupta L.C. et al., 2001 stated that there is a significant shift in the investor’s interest from shares to high quality bonds. The usual belief of investing in bonds
requires greater sophistication than investing in shares. The bondholders originate from higher income class than shareholders. The causes behind the loss of investor’s confidence are due to weakness of corporate governance levels and secondary market price volatility.

James. R.F. Gay, 1978 stated the risk adjusted performance of the United Kingdom Investment trusts industry through the application on the Sharpe and Jensen measure. Investors have more experience towards traditional investment avenues like Bank deposits, Real estate, Small savings scheme, Life insurance policies and Bullions. Investors have less experience towards modern investment avenues like corporate securities, Debentures, Mutual funds etc.

Jospal Singh, 2006 found that among various financial investment avenues of investments such as shares, debt instruments, the mutual funds etc, Mutual funds obtained the lowest preference by many of the investors which might be due to lack of awareness on Mutual funds.

Krishna Moorthy, 2007 studied the profile and awareness of salaried class investors. Among the identified thirteen investment avenues, all the investors preferred bank deposits followed by insurance products which were known to eighty one per cent of the sample investors. Almost, equal number of sample investors recognized Provident Fund and PPF investments, sixty three per cent of the investors were familiar with postal savings and deposits. 42 per cent of investors were aware of Gold and Jewellery investment and 38.2 per cent of the sample investors has good knowledge about investment in chit fund.

2.12 WOMEN AS INVESTORS

Women create, control and influence a huge amount of wealth. Women are identified as the primary source of household investable assets. More women have become breadwinners and also business owners who generate income. They make financial decisions for their households. Women want to derive greater meaning and value for themselves, their families and for the society at large.
Jeyakumari.J and Soundaravalli.S.V., 2016 expresses about the changing attitude of investment among women. Women have normally been more hesitant when it comes to financial investments. They are much more cautious about equity and debt. They prefer to invest in Mutual funds because of its safety and its constant returns. Investment in mutual funds has become an easy way for the working women investors because of its portfolio investments.

Sellapan.R and Jamuna.S., 2013 determined that married women are much more curious in making investment than the unmarried women. Young women prefer to invest in shares, mutual funds, insurance and fixed deposits than the old aged women. Middle aged women prefer to invest in real estate.

Rangarajan, R. Usha, 2009 stated that women investors are meticulous and cautious in investing in Capital Market because they have excellent awareness and details about the primary market and the secondary market. Women Investors feel that they are able to get maximum returns for their investment through high risk and medium risk of Investment. The women investors widely expect prudential benefit and hence they completely check the primary sources like returns, reputation, and political stability for the investment process. The available and transparent information about the performance of firms issuing the shares have a profound impact over the investment decision of women investors.

Vijayalakshmi T., 2009 identified that all women respondents preferred liquid cash for transaction and precautionary motives. They have no speculative motive regarding bank deposits. They did not prepone or postpone their deposits according to the fluctuations in interest rates. Most of the respondents preferred to invest in chit funds than bank deposits. They feel that there are many formalities in bank transactions and also it is time consuming. Moreover returns invested in chit funds are more beneficial than the interest rate from bank deposits.

Gnana Desigan C. et al., 2006 studied about the women investors’ investment pattern, influencing factors, risk preference level and problems of women investors in Erode town. The findings of the study revealed that, women investors prefer to invest in bank deposits and jewels. They are more influenced by
safety and liquidity and the problems faced by them are cumbersome procedures and formalities, commission and brokerage.

Puneet Bhushan & Yajulu Medury, 2013 concluded that women are more conservative and takes less risk. The authors also found that significant gender differences occur in investment preferences for health insurance, fixed deposits and market investments among employees as male and female investors’ perceptions are different.

2.13 CHALLENGES & HURDLES FACED BY HOUSEHOLD INVESTORS

A household includes all the people who occupy a housing unit. There are many challenges being faced by these household investors which are discussed below.

An All India Survey 1998 titled “Household Investors” Problems, Needs and Attitudes conducted by The Society of Capital Market Research and Development discovered the fact that majority of the retail investors lost confidence in various agencies like SEBI, credit rating agencies etc, A cross section analysis showed that 79 per cent of investors had low confidence or no confidence in company management, 55 per cent in SEBI, 64 per cent in auditors and 78 per cent in share brokers. The study observed a significant shift of investors from equity shares to high quality of domestic financial instruments. 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 rating and also expressed their confidence in these agencies. On a question about the future investment strategies, 57 per cent investors stated that their intention was to invest in UTI units in the future. Many of the retail investors reduced their holdings in equity investments.

Jayachandran R., 2006 stated that there is only a moderate level of savings among households. The major elements of savings are the personal income, family income, family size and life cycle of the household. The most popular investment on physical assets are consumer durables whereas on financial assets are bank deposits. The researcher found that there is a relatively low level of awareness among the
rural people about the various financial assets. Most of the investors do not understand the basic fundamentals of the investments. Many investors have invested in safer financial assets like bank deposits. Very few investors prefer the investment on public issues but they are not aware of the market value of their holdings.

Chandra Sekar.K and Geetha K.T., 1998 confirmed that there was a strong relationship between nation’s savings rate and the rate of growth of per capita income. It was found that the gross savings rate was 18.7 percent in 1986-87 but increased later and in 1994-95 it was 24.4 percent mainly because of household savings.

SEBI along with National Council of Applied Economic Research (NCAER), 2000 conducted a comprehensive survey of the Indian Investor Households and studied the effect of the growth of the securities market on the household and to examine the quality of its growth. 25,000 investors were drawn from all over India and the data were collected by administering a questionnaire and through personal interviews. The survey was conducted with the major objective of drawing a profile of the household investor and to define the demographic, economic, financial and equity ownership characteristics. The study also led to understand the investor’s preference for equity as well as other savings instruments, their perception about market risk, their exceptions, nature of their grievances and problems to estimate the number of households which had refrained from investing in equity market and the reasons for their averseness. The survey stated that age, educational qualification, occupation and income were found to influence the attitude of an investor towards financial investment avenues. The urban investor household had a higher proportion of investment in equity shares, debentures and mutual funds as compared to the rural households. Income level and investment of household in capital market were found to be closely related. A majority of the equity investors has long term motive in investments. Investors revealed that they had a number of broker and agents related problems than issue related problems.

Aldus Salam and Ummal Kulsum, 2002 recognized that the household sector savings provided the bulk of National savings. The development of income is not an
effective instrument to influence the savings rate. The favorable macro-economic environment supported by strong structural reforms including liberalization of financial markets, help domestic savings to increase.

Narayana D.L., 2007 made an attempt to review the economy of a Chittor district. He examined the asset structure of household classifying the whole range of assets into physical and financial assets. He found that the average investment in case of self-employed that is who had their own business was greater than the farmer households. The Investment in farm assets decreased when the education level increased and at the same time the investment in consumer durables also increased. Rural household gave importance to precious metals followed by bank deposits and chit funds. He also pointed out that more than 35 per cent of the rural households were practicing negative savings and 65 per cent invested in positive savings.

Ganti Subramanyam, et al., 1994 explored the fact that the flow of household savings into bank deposits reduced as more and more market instruments attracted savings. This decline posed the biggest threat and difficulties in the business of banks. This study also led to an econometric investigation of household preference of deposit form of savings Vis – a -Vis the forms of financial savings. They found the household sectors saving pattern during the last two decades encouraging.

Bhagawati Prasad, Subhas, M.S., 1991 in their study observed the problems faced by the investors by surveying 200 small investors. The study discloses that majority of the investors in the middle income group are very active. High returns motivated them to invest in capital market and majority of the shareholders are not satisfied with the content of published information.

Dash R.K. and Panda J., 1996 critically examined the need for investors protection. They found that unincorporated bodies and Nithis whose deposit acceptance activities did not come under the guidelines of the Reserve Bank of India shook the investors’ confidence for the past several years. They stated that the poor growth rate level, dearth of innovative schemes, poor marketing and unsatisfactory servicing etc., were the reasons for the low level of confidence among investors.
They strongly emphasized the importance of installing the confidence in the minds of the investors.

Rajarajan V., 1997 revealed that Investors’ characteristics are based on their investment size. The smaller the investment, the risk taking behavior among the investors is seen very high. The higher investment leads to both lesser risky investment and also diversification in the investments.

Madhumathi R., 1998 examined the risk perception of 450 individual investors, selected at random from major metropolitan cities in India, dividing them into three groups as risk seekers, risk bearers and risk avoiders. The major findings of the study stated that majority of the investors were risk bearers and they had the tendency to use the company’s performance as a basic factor to take investment decisions. They also depend on the advice of share brokers and investment consultants. The risk seekers generally took decisions based on market conditions, industrial positions and social changes. They mainly relied on newspapers and reports for information. Risk avoiders did not have any specific traits. They were very independent and looked for facts and certainty in their investment decisions. They relied on the advice of their friends and relatives.

A survey was conducted by “Intelligent Investors” (A Fortnightly magazine), 1998 about the home instincts of investors. The survey was intended to disclose the average Indian’s attitude to housing, living space and real estate. Forty Per cent of male category opted for 500-800 square feet spacious house to a family of four members, whereas 50 Per cent of female respondents needed a house of 801-1200 square feet. Sixty Per cent of Chennai based respondents preferred even smaller space (500-800. sq. feet) for a family of four members, 34 Per cent of male and 28 Percent of female respondents expressed their willingness to have a house of their own even before their marriage. But among the total respondents, 34 Per cent wanted their own house after having children. Fifty eight per cent of Calcutta based respondents and 48 Per cent of Chennai based respondents were willing to own a house atleast before their retirement.
Kasilingam R. and Jayabal G., 2008 showed that the expected return has impact on risk taking attitude and portfolio choice and it is affected by level of awareness, investment experience, level of saving motives and timing of investment, family size, family income, perception, age, source of information, behavioral traits of investors. The extent of influence of these factors on the expected return is also analyzed using a discriminant analysis. The step wise discriminant analysis reveals that family size is the predominant variable in determining expected return on investors.

Kathirvel N., 2009 suggested that the investment in Insurance plays a very important role in the financial sector of the country. The IRDA Act 1999 is a landmark in the Indian Insurance industry which opened up the insurance sector to the private sector participants in 2000. The main element in the reform process was the participation of overseas insurance companies through restricted 26 per cent of the capital. The Act protects, promotes and ensures orderly development at the life and own life industry. The insurance companies are requested to use the vast network of banks and post offices to market the micro insurance products and unit linked products for the low income group and rural poor of the society.

Neelakantan P. et al., 2011 recommended that investment in Debt market instruments has become an imperative choice of the investors with the objectives of return optimization. Uncertainty of expected returns is a dynamic part of the investment option in debt market. Variations in the anticipated returns and actual returns lead to the possible consequences of the decision related to selection of debt market investment vehicle. Risks in debt market instruments are poised of the demands that bring variations in the return of income. Market price and interests play a significant role on the risk associated with the debt markets which are being influenced by the various internal and external considerations. Uncontrollable external risks have a greater impact of the volatility of returns on the investment vehicles and they are of systematic in nature

Sambhaji Mane and Ravi Bhandari, 2014 stated that large number of portfolio is not good for a healthy investment. In Pune, Gold and Land are the two
most ideal form of investment. It carries good return and appreciation. He also studied that women are the deciding factor in many of the families.

Parimalakanthi and Ashok Kumar, 2015 considered that education of investors is important for the present day investors. Investors before making investments need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments. Majority of investors prefer Savings account, Gold, Silver and Fixed deposits.

Lalit Mohan Kathuria & Kanika Singhana, 2012 determined that private sector banking employees invested a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues.

Lease Ronald C., 1974 studied the demographic characteristics, investment strategy patterns, informative sources, asset holdings, market attitudes and perception of investors. He made an analysis of portfolio position and founded the investment returns of the group. The sample consists of 990 investors stratified according to the geographical distribution of all the American shareholders as reported by the “New York Stock Exchange” were surveyed. The study revealed that there was a significant positive correlation between

a) Individual income and wealth
b) Age and percentage of portfolio invested in income securities

There was a negative association between annual income and percentage of portfolio invested in income securities. The study found that the long term capital appreciation was the prime investment concern with dividend and intermediate term gains running second and short term gains the third.

Sanjay Kanti Das, 2012 stated that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to
get benefit of safety and security of their life and investment. It was found that there is a need for increasing the financial literacy among the middle class households.

Arvind Kumar Singh, 2006 determined that in Bangalore investors are more aware about various investment avenues and the risk associated with that and in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

Syed Tabassum Sultana, 2010 concluded that individual investor still prefer to invest in financial products which give risk free returns. The study confirmed that Indian investors even if they are of high income, well-educated, salaried, and independent are conservative investors who prefer to play safe in the market.

Prasada Rao, 2002 stated that the cultivators are much interested in purchasing durable assets with their savings and they would like to spend more on children’s education. The cultivators would like to invest on farms to develop their Agri-business. The managerial propensity to save among big farmers is greater than among the small and medium farmers.

Stout, 2002 has indicated that investors have an adaptive and not rational expectations. Adaptive expectations results in both trust and mistrust in securities based on past actions.

Rajarajan V., 2002 stated that investors with lower expected rate of return, lower risk bearing capacity and with loss avoidance behaviour prefer the portfolio with more of fixed assets. They see their rewards as a result of luck, chance, fate etc. The investors with high expected rate of return, high risk bearing capacity and less of loss avoidance behavior prefer a portfolio with more of risky investments.

Durga Bhavani and Samatha, 1999 found that majority of the respondents depends on the print media for their share transactions. Among the print media, Business Newspapers followed by Regional and National newspapers were the main
sources of information for the respondents. Education and Economic status have a partial impact on the investments made by the respondents.

Manoj Pillai, 2008 stated that in a very short span of time, the Private Equity has become a buzz word in the Indian Financial Market. Many experts feel that there are certain pitfalls or concern areas associated with the concept of private equity. Similarly private equity has a very short history in deal making and there are no clear and specific solutions for various complex factors like valuation of intellectual property rights, knowledge workers, processes and technology in the emerging markets. Analysts believe that the average size of a private equity deal is small in India which causes the Private Equity Appetite for longer holdings and the scale of returns. Availability of trained professional is another problem area as operational excellence solely rests on the skills of these professionals. The Foreign Direct Investment is an integral part of private Equity and as a result, the Government regulations will be tougher which may slow down the flow of the private Equity.

Pateriya L.P. and Ajeya Jha, 2008 examined the investment trends in IT by pharmaceutical companies which are interesting and enlightening. Investment in various components of IT differs from company to company. Pharmaceutical industry lags behind other industries in embracing IT technologies. This was anticipated as we know that pharmaceutical industry is a

John Grable and So-hyunJoo, 2015 had done an exploratory study to find out the factors influencing financial risk tolerance by using a sample of 250 college students. The students were asked to answer a Likert scale based questionnaire. It was finalised that there were three significant predictors of financial risk tolerance, locus of control, financial knowledge and gender.

Krishna Chaitanya, et al., 2009 discuss relationship between FDI and domestic private investment. The contribution of FDI inflows to public investments is much higher. This shows that FDI in India acts as complimentary to the private investments and can have a positive impact on growth by enhancing domestic capital accumulation. The other significant and interesting findings of the study are
the role of economic reforms. They found that economic reforms in the current year have a negative effect on private investments. This suggests that there is an immediate adjustment costs associated with current level of economic reforms. But the stock of reforms has a positive effect on private investments. This shows that FDI inflows exploit economic reforms process and make an impact on domestic private investments.

Kasilingam R. and G.Jayabal, 2009 identified that Post office savings schemes are attractive tax savings investment schemes to the salaried class investors. It is also a suitable investment option to the small and medium investors because it satisfies all the criteria required by Indian investors. Small savings schemes are designed to provide safe and attractive options to the public and at the same time to mobilize resources for the development of the nation. As the Government gives attractive returns mainly to the small investors, the institutions and NRI’s are prohibited from investing in small saving schemes. During recession, small savings will be an ideal alternative investment because it produces stable and risk free returns.

Sudhakara Rao T.G. et al., 2009 reviewed the different scenarios from the hybridization perspective. The generalized hybridization index suggested in the article can be used to assess benefits of IT development in different functional areas and in taking investment decisions for the future.

2.14 CONCLUSION

This chapter covered a review of relevant literature regarding the construction of a proposed model as well as related theories and findings of the previous studies. The subject focused on the investor’s objectives, awareness, preference, decisions made and also discussed about the factors that were influencing the investor’s satisfaction and decision making to invest on a particular investment. This chapter reviewed about various authors’ suggestion and their approach towards the investor’s decision and investing on a particular investment. In the next chapter, the conceptual framework and profile of working women based on the literature review pertaining to the study had been discussed accordingly.