Project Dissertation

"UNDERSTANDING INVESTORS PSYCHE TOWARDS VARIOUS AVENUES OF INVESTMENT"

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Jan -May 2016

CERTIFICATE

This is to certify that the Project Report titled "**Understanding investors psyche towards various avenues of investment"** is a bonafide work carried out by **Arpit Garg** of MBA 2014-16 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of Masters of Business Administration.

Signature of Guide   Signature of Head (DSM)

Place:

Date

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DECLARATION

I Arpit Garg, student of MBA 2012-14 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that Dissertation Report on "UNDERSTANDING INVESTORS PSYCHE TOWARDS VARIOUS AVENUES OF INVESTMENT" submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This Report is not being submitted to any other University for award of any other Degree, Diploma and Fellowship

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Place:

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ACKNOWLEGEMENT

ABSTRACT

The study is conducted to understand the investment behavior of the Indian Investor to the different avenues available for investing. Every individual has different mind-set and risk taking ability which makes them unique in taking their decisions. Individual's income, sex, age, profession and other demographics influence the investment pattern. In this study an attempt is make to find the relation between Age and the risk tolerance level of the investor, which helps in constructing the desired portfolio for the investor. Among various parameters available Age is the one which only increases with time and have a constant affect where as the other parameters are affected by the economics of the world and changes over time. They don't show any constant relation and varies which is why it is not a good idea to use them. The findings from this research would provide an understanding of the various decisions to be made by investors based on the prevailing factors and the eventual outcomes for each decision and would identify the most influencing factors on the company's investors' behavior on how their future policies and strategies will be affected since investment decisions by the investors will determine the company's strategy to be applied. The Present study has important implications for investment managers as it has come out with certain interesting facets of an individual investor. The individual investor always prefers to invest in financial avenues which give risk free returns. This confirms that Indian investors even if they have high income and well educated are conservative. They prefer to play safe. The investment product designers can design products which can cater to the investors need who are low risk tolerant and use TV as a marketing media.

Table of Content

1. INTRODUCTION

1.1 Overview

Savings is a most crucial part of the any nation's economy. Money invested by the people in different options available to them helps the nation economy to sustain. Indian financial structure also gives a wide range of options to the investors.

The most compelling reasons to invest is that nobody wants to work for the entire life. One needs to invest and earn return on their idle income and generate a sum of money for the future goals and the uncertain future. One of the reasons to invest is to meet the cost of inflation. Inflation is the rate at which the cost of living increases.

The cost of living is amount of money needed to sustain a certain level of living, including basic expenses such as food, housing, taxes, and healthcare. Inflation causes money to depreciate because it will not buy the same amount of a goods or services in the future as it does now or did in the past. By investing your money, you are making more money out of it so that the future inflation can be met. It's like preparing oneself for the future

The two golden rules for all investors are:
- · Invest regularly
- · Invest early

1.2 Objectives of the Study

The purpose of the analysis is to understand the investment behavior of investors and investment preferences. Today wide variety of product and services are available for the investors to invest in and the study will help in understanding the perception of the investor.

For this some important areas on which customer awareness is measured

- To understand the type of financial instruments, investor will invest
- To understand the time period they like to invest
- To understand the risk tolerance level and suggest a good portfolio according the need.
- To understand the factors consider before investing

1.3 Need for the Study

This analysis of an Individual investor's Behavior is an attempt of profiling the investor and there characteristics to understand their preferences with respect to investment. It's been assumed that while making financial decisions the investors make decisions without any emotion or passion. Their goal would be based on a single goal of maximizing their profit.

From the development behavioral finance, a relatively new and developing field of academic study that exploits the irrational nature of the investors. Most of the investment decisions are influenced to some extent by our perceptions that do not meet the criteria of rationality.

The expectations of various types of investors regarding the particular service s can be identified.

- It also enhances new services initiatives.

- It will help in better understanding of what an investor looks for in an investment option.

- Can be used by the financial sector in designing better financial instrument customized to suit the needs of the investor.

- It will help the companies to understand what is the expectation and requirement of different categories of investors.

2. Literature Review

A literature review is an evaluative report of information found in the literature related to your selected area of study. The review should describe, summaries, evaluate and clarify this literature. It should give a theoretical base for the research and help you (the author) determine the nature of your research.

A Three great behavioral scientist Weber (1999), Shiller (2000) and Shefrin (2000) have worked in the area of individual investment decisions and their characteristics. Their studies have revealed the relationship between the age and the risk tolerance of the individual investor. It also depends on the demographic the individual belongs to which also plays a crucial role. Baker and Nofsinger (2002) states the difference between traditional and behavioral finance. Behavioral finance is deceptive as it explains what actually happens instead of what is expected to happen.

Malkiel (1996) suggested that risk tolerance is related to the lifecycle stage and household situation. Wallach and Kogan (1961) were the first to study the relation between age and risk tolerance.

Guiso, Jappelli and Terlizzese (1996), Hariharan, Chapman and Domain (2000), Hartog, Ferrer-I-Carbonell and Jonker (2002) conclussded that males are more risk tolerant than females.

Rajarajan V (1997, 1998, 2000 and 2003) classified investors on the basis of their demographics. He also found out that as the investor grows old the risk tolerance level of the investors decreases and it become more risk averse as the time passes.

National Council of Applied Economic Research (NCEA) (1961) '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 were a very important motive for saving for old age.

A study on 245 Kuala Lumpur Stock Exchange individual investors from Kula Lumpur by 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.

Dimitrios I. M, (2007) conducted a study on Investors behavior in the (ASE) and found that individual investors rely more on newspapers/media and noise in the market when making their investment decisions, while professional investors rely more on fundamental and technical analysis and less on portfolio analysis.

Cohn et al. (1975) provided tentative evidence that risk aversion decreases as the investor's wealth increases, while Riley and Chow showed that risk aversion decreases not only as wealth increases, but also as age, income and education increase. LeBaron, Farrelly and Gula (1992) added to the debate, by advocating that individuals' risk aversion is largely a function of visceral rather than rational considerations.

Barber and Odean (2000) explored the impact of intuitive thinking on investment preference to study the experience of actual investors.

Karthikeyan (2001) 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 Scheme (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 young age group.

This study examined the factors that appear to exercise the greatest influence on the individual investor, and included not only the factors investigated by previous studies and derived from prevailing behavioral finance theories, but also introduced additional factors generated through personal interviews that have been found to influence the investor investment decisions in India.

3. Research Methodology

The research design acts as the blue print for the data collection, measurement and analysis of data. The descriptive research design has been used for this study. It is the overall operational pattern or framework of the research that stipulates what information is to be collected from which sources by what procedures.

Questionnaire is used as research instrument in this study. It was designed pertaining to the problem and objectives of the study. The questionnaire contains statements relating to Activities, Interest and Opinion of investors with five point likert's scale. Primary data required for the study was collected by circulating these questionnaires among the individual investors in Delhi city. The opinion from all levels of investors is collected. The sample size for the study is 100.

The descriptive statistics has been used while analyzing the questionnaire. Karl Pearson test has been used to find the correlation between the Age and the Risk tolerance level.

4. Data Analysis & Interpretation

An analysis is done on the responses recorded from 100 sample investors. The purpose of the report is to find out the investor's behavior on various investment routes, for the current and the future investment.

The questionnaire contains different questions on the investor's financial experience and based on these experiences an attempt is made to find out a pattern in their investments.

Analysis is made only from the information collected through questionnaire, no other data or information is taken in to consideration for purpose of the analysis.

Analysis of the Survey:

4.1 TABLE 1: DEMOGRAPHICS OF THE SAMPLE INVESTOR

PARAMETER	NO: OF INVESTORS	PERCENTAGE
GENDER		
MALE	58	58%
FEMALE	42	42%
TOTAL	100	100%
AGE GROUP		
BELOW 20	0	0%
BETWEEN 20 − 40	35	35%
BETWEEN 40 − 60	35	35%
ABOVE 60	30	30%
TOTAL	100	100%
QUALIFICATION		
UNDER	8	8%
GRADUATES	39	39%
POST GRADUATES	46	46%
OTHERS	7	7%
TOTAL	100	100%
OCCUPATION		
SALARIED	52	52%
BUSINESS	22	22%
PROFESSIONAL	14	14%
HOUSE WIFE	11	11%
RETIRED	1	1%
TOTAL	100	100%
ANNUAL INCOME		
BELOW Rs. 2,00,000	37	37%
Rs. 2,00,000 − 4,00,000	31	31%
Rs. 4,00,000 − 6,00,000	18	18%
ABOVE Rs, 6,00,000	14	14%
TOTAL	100	100%

Interpretation:

Table 1 above shows, that 42 (42%) of the investors are female and the rest 58(58%) are males. Generally males have the responsibility to look after the family and hence make the financial decisions for the family.

Age group: 70% of the people lies in the age group of 21-60 which is the earning age. Income flow is continuous so there is need of proper financial planning. In this age group investment decisions are more based on willingness to take risk instead of ability to take risk.

Here 46% of the individual are pg, 39% are graduate, 8% are ug and 7% are either illiterate or have more qualification then pg individuals. The individual(cover in the study) posses more capabilities to take good financial decisions.

4.2 TABLE 2 CHARACTERISTICS OF SAMPLE INVESTOR

Table.2.1 Number of respondents willing to take risk according to age

Age group	High	Moderate	Low	Total
0-20	0	0	0	0
20-40	16	10	09	35
40-60	06	9	20	35
Above 60	02	05	23	30
Total	24	24	52	100

Interpretation:

From the above table respondents in the age of 20 – 60 are ready to take more risks as compare to respondents those are in age of 60 and above.

Table 2.2 INVESTORS WILLING TO DROP PRINCIPAL		
PARAMETER	NO OF INVESTORS	PERCENTAGE
YES	5	5
NO	95	95
TOTAL	**100**	**100**

NO OF INVESTORS

YES, 5

NO, 95

YES
NO

Interpretation:

Here it is clear that 95% of investors will not take the risk of losing their principal amount as most of them are salaried based people. And most of the individual are earning less then 4lac above 50%. So they won't a risk to invest where there money is at stake.

Table 2.3 INVESTMENT IN EQUITY MARKET		
PARAMETER	NO OF INVESTORS	PERCENTAGE
YES	70	70
NO	30	30
TOTAL	**100**	**100**

Interpretation:

70% of the individual invest in the equity market while the rest are not that much risk takers. The investors who invested in the equity market asked one more question, regarding what they will do if the stock market falls after their investment, many of them replied that they would wait for the market to rise and very few answered that they will make use of the opportunity and buy more to compensate the looses.

Table 2.4 TIME PERIOD PREFERED TO INVEST		
PARAMETER	NO OF INVESTORS	PERCENTAGE
SHORT TERM	15	15
MEDIUM	55	55
LONG TERM	30	30
TOTAL	**100**	**100**

NO OF INVESTORS

SHORT TERM, 10

LONG TERM, 30

MEDIM, 60

- SHORT TERM
- MEDIM
- LONG TERM
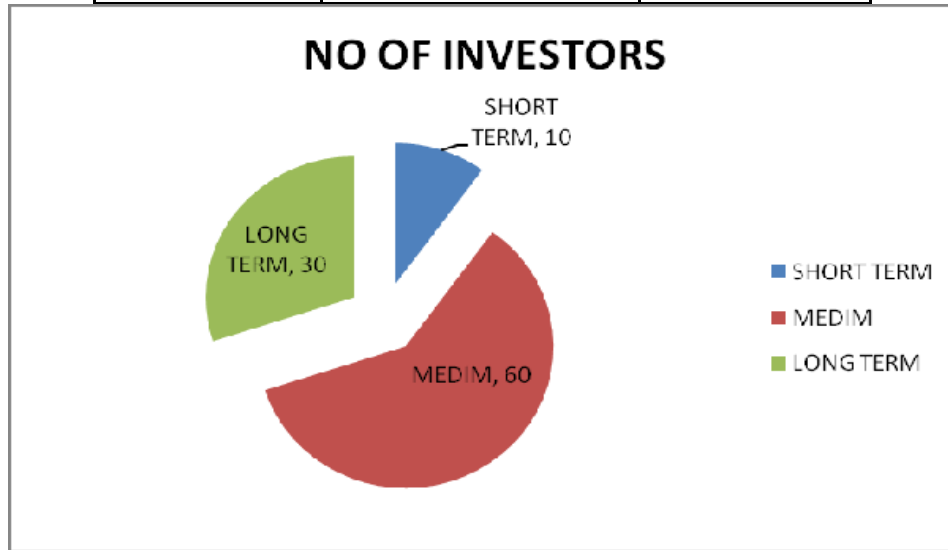
Interpretation:

Most of the investors are interested in investing in medium term for 1-5 years. They want their return on small phases of life, neither to early nor to late, medium risk with medium return.

Table 2.5 FAMILY BUDGET		
PARAMETER	NO OF INVESTORS	PERCENTAGE
YES	75	75
NO	25	25
TOTAL	100	100
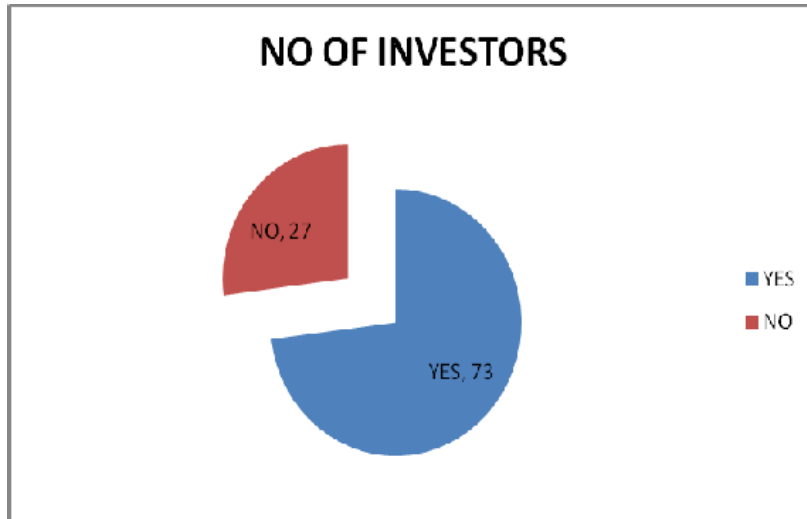
NO OF INVESTORS

Interpretation:

75% of the investors had a monthly family budget for their daily expenditure. 25% of the investors said they never thought of having a budget calculator, and few think of having a budget but never implemented. Many people with surplus money never cared to make any family budgets.

Table 2.6 FINANCIAL ADVISOR		
PARAMETER	NO OF INVESTORS	PERCENTAGE
YES	23	23
NO	77	77
TOTAL	100	100
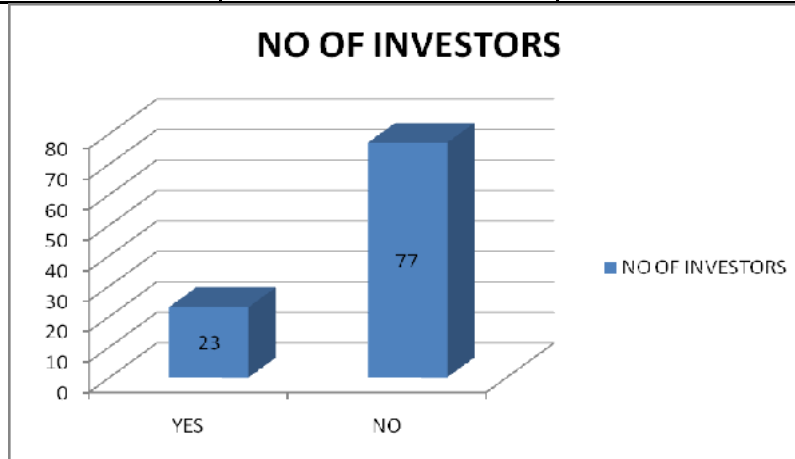
NO OF INVESTORS

Interpretation:

77% of the investors never had a financial advisor; the reason might be that they won't have surplus money to think about as more than 50% of the sample has income less than 4 lacs. 23 % of the investors have financial advisors, who manage their investments.

Table 2.8 INVESTMENT TARGET		
PARAMETER	NO OF INVESTORS	PERCENTAGE
YES	48	48
NO	52	52
TOTAL	100	100

Interpretation:

It's interesting to note that same proportion of investors have different thoughts, 48% of the them have an investment target every year, and 52% of the investors don't. On asking many of the investors who had an investment target every year are not able to reach their targets due to unforeseen expenses.

4.3 Table 3 OBJECTIVES OF INVESTMENT

Table 3.1 OBJECTIVE OF SAVINGS			
PARAMETER	VOTE	WEIGHT	RANKING
CHILDREN'S	71	29	1
RETIREMENT	47	19	3
HOME PURCHASE	38	15	4
CHILDREN'S	30	12	5
HEALTHCARE	57	23	2
OTHERS	5	2	6
TOTAL	248	100	

VOTES
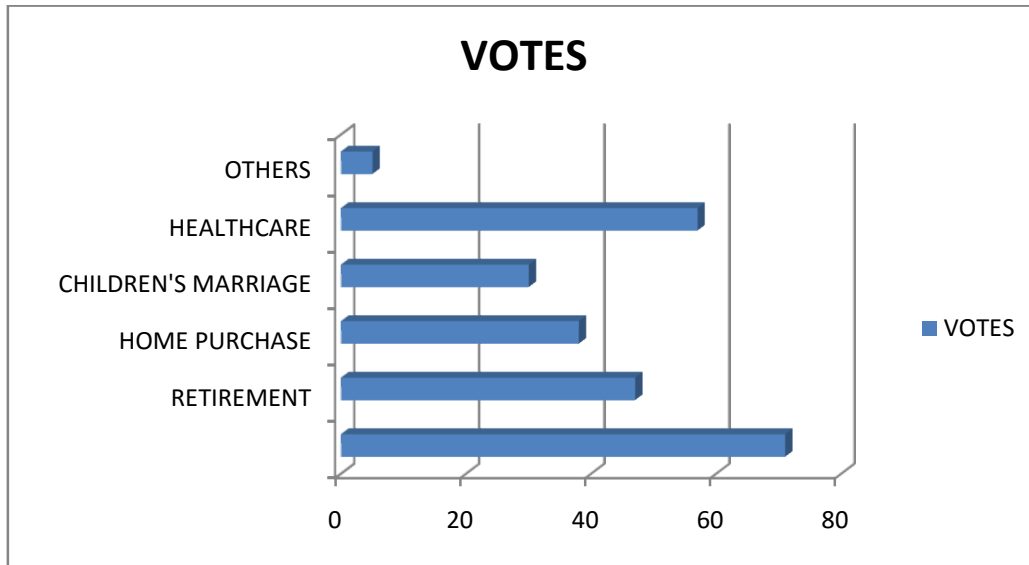
The above table shows the objective of sample investor, why they invest. It was a multiple choice question, ticking more than one answer. Since there is more than one answer, according to that weights are assigned to each options selected by the investor. The maximum weight shows that most of the investors have chosen that option as the prime reason for investment. Ist rank is given to children's education, as investors feel that investing money for the Childs future education is more important than any other thing. Many of the investors are in the age group of $20 - 40$ as of now and are thinking of saving for children's future. After children's education they are saving for their own health care. Home purchase and retirement are given subsequent ranks after health care.

Table 3.2 PURPOSE OF INVESTMENT			
PARAMETER	VOTE	WEIGHT	RANK
WEALTH CREATION	37	22	4
TAX SAVING	43	25	3
FUTURE	44	26	2
EARN RETURNS	45	27	1
TOTAL	169	100	

VOTES
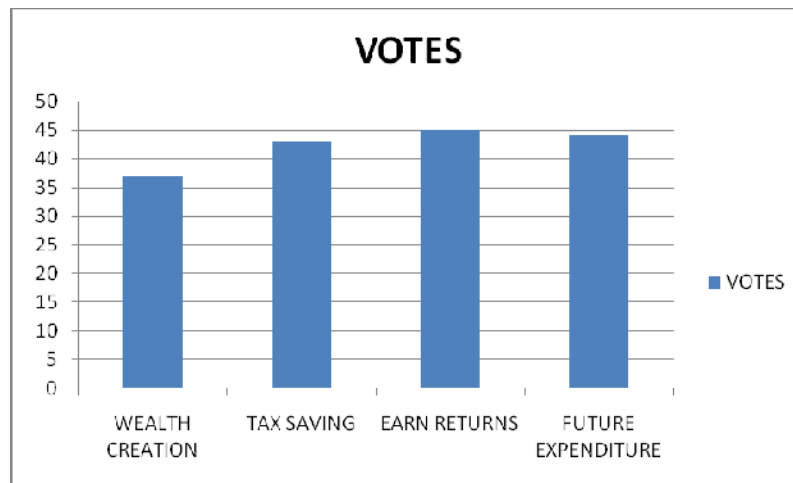
The main goal of investing is to earn more money in future. The middle class invest more so as to save some tax where the business people invest more to attract more money. Making more money from the available money. Every investor has all the four motives for investment but only priority differs.

Table 3.3 FACTORS CONSIDERING BEFORE			
PARAMETER	VOTE	WEIGHT	RANKING
SAFETY OF	60	43	1
LOW RISK	35	25	2
HIGH RETURNS	27	19	3
MATURITY PERIOD	16	11	4
TOTAL	138	100	

VOTES
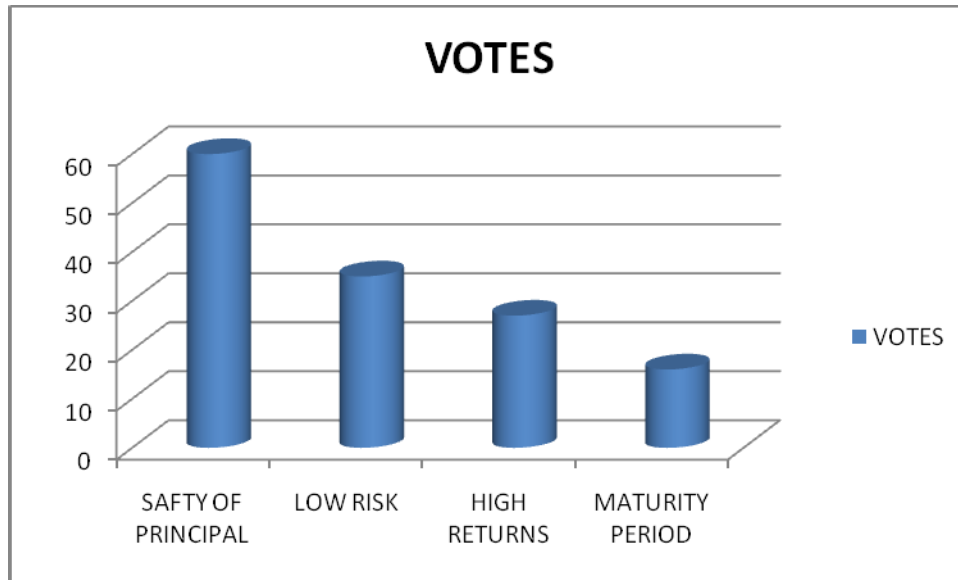
When investors were asked that about the measures or precautions will you take before investing, most of them said about safeguarding of their principal. Second was the low risk. Here some investors want high return on low risk which is not possible as it is concrete that high risk high return. The investors were less concerned about the maturity period.

Independent Variables and Dependent Variables

There are total four independent variables

1. Age group. 2. Qualification. 3. Annual income. 4. Occupation

There can be many dependent variables like

1. Level of risk tolerance
2. Time period taken for investments
3. %age of income that can be invested
4. Savings objectives
5. Investment preference.

These variables can be compared with dependent variables for finding the relations between the parameters.

4.4 Table 4: INVESTMENT PREFERENCE BASED ON   OCCUPATION

Table 4.1 Preferred investment options for salaried

INVESTMENT AVENUES	VOTE	WEIGHT	RANK
LIFE INSURANCE	35	16	1
GOLD	25	12	2
BANK FIXED	24	11	3
MUTUAL FUNDS	23	11	4
REAL ESTATE	23	11	5
POST OFFICE	20	9	6
PPF	18	8	7
NSC	17	8	8
EQUITY SHARES	16	7	9
SAVINGS	14	7	10
TOTAL	215	100	

Since the investor has an option to invest in more than one Investment options, weights are given on the basis of preference to investment options. The option which got maximum vote from the investors is ranked first. Ranks are given to the first ten preferred investment options. It seems that investors are more towards life insurance then to any other avenues, second choice is gold, third one is bank fixed deposits.

Table 4.2 Preferred investment options for business people

INVESTMENT AVENUES	VOTE	WEIGHT	RANK
BANK FIXED	13	16	1
INSURANCE	13	16	2
REAL ESTATE	11	14	3
MUTUAL FUNDS	10	12	4
GOLD	8	10	5
EQUITY SHARES	7	9	6
CHIT FUNDS	6	7	7
POST OFFICE	5	6	8
SAVINGS	4	5	9
NSC	4	5	10
TOTAL	81	100	

Business people think same as that of salaried people, similar in preferring insurance and bank fixed deposits, but real estate jumps to 3rd number. Gold is given 5th place here as they believe gold might be not that volatile. Last place is given to national savings certificates.

Table 4.3 Preferred investment options for professionals

INVESTMENT AVENUES	VOTE	WEIGHTS	RANK
BANK FIXED	10	19	1
INSURANCE	10	18	2
REAL ESTATE	6	11	3
GOLD	6	11	4
POST OFFICE	5	9	5
MUTUAL FUND	4	7	6
SAVING	4	7	7
PPF	3	6	8
BONDS	3	6	9
GOVT SECURITIES	3	6	10
TOTAL	54	100	

While it comes about money investing all think in the same side whether it is a business men or salaried guy or the professional. Professionals do not prefer mutual funds (7th rank), where salaried & business people prefer it to 4th place. Interestingly professionals are more interested in post office savings rather than other funds. For sure National certificates are not there choice as it is eliminated from the list.

Table 4.4 Preferred investment options for housewives

INVESTMENT AVENUES	VOTE	WEIGHT	RANK
GOLD	9	18	1
INSURANCE	9	18	2
BANK FIXED	8	16	3
REAL ESTATE	5	10	4
CHIT FUND	5	10	5
POST OFFICE	4	8	6
EQUITY	4	8	7
SAVINGS	3	6	8
NSC	2	4	9
MUTUAL FUNDS	1	2	10
TOTAL	50	100	

No wonder Indian housewives love gold. They have given first rank to gold ahead of insurance and bank fixed deposits. House wives gave least preference to mutual funds. They are more attracted to traditional investment options like gold, real estate, post office savings and chit funds.

Table 4.5 Preferred investment avenues – overall

INVESTMENT AVENUES	VOTE	WEIGHT	RANK
LIFE INSURANCE	67	17	1
BANK FIXED	55	14	2
GOLD	50	13	3
REAL ESTATE	45	12	4
MUTUAL FUNDS	38	10	5
POST OFFICE	35	9	6
EQUITY SHARES	29	8	7
SAVINGS	25	6	8
NSC	25	6	9
PPF	22	5	10
TOTAL	391	100	

HYPOTHESIS - As the Age increases there is decreases in the Risk tolerance level.

- Relation between risk tolerance and age
- Risk tolerance of an investor is negatively related to the age of that investor
- Lower the age, higher the risk taking capabilities

LEVEL OF RISK TOLERANCE WITH RESPECT TO AGE GROUP

For the purpose of analysis investors are placed under three categories.

1. High risk
2. Medium risk
3. Low risk

Classification is done based on three factors

1. Past investments of the investor.
2. Investor experience in investing (level of experience).
3. Investor preference for investments.

First the total sample of 100 is divided in to 3 age groups.

Based on above factors investors are classified into 3 risk categories.

Table 5: Finding relationship between age group and level of risk tolerance

Table 5.1 risk tolerance of age group 20 − 40

PARAMETER	20 − 40 AGE GROUP	
LEVEL OF	NO OF INVESTOR	PERCENTAGE
LOW RISK	13	37%
MEDIUM	17	49%
HIGH RISK	5	14%
TOTAL	35	100%

Table 5.2 risk tolerance of age group 40 − 60

PARAMETER	40 − 60 AGE GROUP	
LEVEL OF	NO OF INVESTOR	PERCENTAGE
LOW RISK	20	57%
MEDIUM	11	32%
HIGH RISK	4	11%
TOTAL	35	100%

Table 5.3 risk tolerance of age group above 60

PARAMETER	ABOVE 60 AGE GROUP	
LEVEL OF RISK	NO OF INVESTORS	PERCENTAGE
LOW RISK	21	70%
MEDIUM RISK	6	20%
HIGH RISK	3	10%
TOTAL	30	100%

5. OBSERVATIONS

Observations from table 5.1, 5.2, 5.3

From the table 5.1 we find that 49% of Investors between the age group of $20-40$ came under medium risk category, where as the percentage of investors which came under medium risk in the age group of $40-60$ have decreased to 32%. It still came down in the case of investors in the age group of 60 above, which is only 20%. One can see a decreasing trend in the behavior of investors towards medium risk when their age increases.

37% of the investors in the age group of $20-40$ are in the low risk category, where as Investors under the age group $40-60$, 57% came under the low risk category, Aged people are low risk takers. It has further increased, 70% of the investors in the age group above 60 came under the low risk category. We can see an increasing trend with respect to low risk category as the age increases.

When comparing the high risk category, same observations are arrived at with respect to the age groups. As the age increases the level of risk tolerance came down. 14% came under the high risk category under the age group $20-40$, when it came to age group above 60 above only 10% came under the high risk category.

From the above observations we can conclude that there is a strong negative relationship between risk tolerance and age group.

Attributes	Risk Tolerance Level
Age	-0.74

When Karl Pearson's correlation coefficient is calculated, it is found to be −0.74 by which we can conclude that there is a strong negative correlation between Age and Risk tolerance. Age accounts for the major differences in risk taking decisions of the investors. Over− confidence among the youngsters largely accounts for the excessive trading leading to lower returns and this direct to decline in the risk tolerance level.

6. FINDINGS

1. The study reveals that male investors are more active in the investment market in India.

2. Most of the investors possess higher education like graduation and above.

3. Majority of the active and regular Investors belong to accountancy and related employment, non−financial management and some other occupations are very few.

4. Most investors opt for two or more sources of information to make investment decisions.

5. Many investors take their family advice before investing.

6. Percentage of income that they invest depend on their annual income, more the income more percentage of income they invest.

7. The investors' decisions are based on their own.

8. Most of the investors who participated in the study were more investment savy.

9. Investors prefer to park their funds in channels like Life insurance, FD, Gold and Real Estate.

10. They got their investment information through electronic media (TV) next to print media (News paper ƒ Business news paper ƒ Magazines) not any hired advisor.

11. As the age Increases , risk tolerance power of investor decreases.

Risk tolerance level and Suggestion of Suitable Portfolio to the Investors

The role of uncertainty and the knowledge about the return on Investment options are important components of any investment. The extent of an investor's ability to tolerate these uncertainties of return is referred as risk tolerance level of an investor (Schaefer, 1978).

Schaefer described the relation this way: "two persons may very well agree on the riskiness of a set of gambles, but may nevertheless prefer different gambles, rank ordering them differently according to their personal tolerance. There are two common methods of estimating investors' tolerance of risk. The first method is a clear understanding of the investor and the history with investment securities. The second method is to use a questionnaire designed to elicit feelings about risky assets and the comfort level of the investor given certain changes in the portfolio or certain investment scenarios.

The second method is used to know the risk tolerance of the investors. From the responses to the questionnaire, the cumulative scale is constructed and scores are assigned to each investor accordingly to categorize the respondents in to i.e. Low, Moderate and High risk tolerance level. The investors are divided into 3 categories i.e., A, B and C depending on their risk tolerance starting with Low risk tolerance, Moderate risk tolerance and High risk tolerance.

Investor with a high risk taking capability would be comfortable with market volatility, while low risk taking capability individuals require stability and are averse to uncertainties.

(MacCrimmon & Wehrung, 1986). Individuals with low levels of risk tolerance require lower chances of a loss, choose not to operate in unfamiliar situations and require more information about the performance of an investment (MacCrimmon & Wehrung).

Table 6 SUGGESTED PORFOLIO CONSTRUCTION BASED ON AGE GROUP AND LEVEL OF   RISK

PARAMETER	LEVEL OF RISK − PERCENTAGE OF INCOME TO BE APPORTIONED			TOTA
AGE GROUP	LOW RISK	MEDIUM RISK	HIGH RISK	
BETWEEN 20 −	30%	50%	20%	100%
BETWEEN 40 −	50%	35%	15%	100%
ABOVE 60	70%	20%	10%	100%
TOTAL	100%	100%	100%	

Portfolio construction:

Step 1: Identify the age group of the investor, check in which age group he comes under.
Suggest suitable portfolio from the above table.

Example: An investor of age 36 working in public sector Company has approached you to invest his 8 lakhs of money in a suitable investment.

Advice : the investor comes under the age group 20 -

40. His suitable portfolio will be

1. 50% invest in medium risk investment avenues.
2. 30% invest in low risk avenues.
3. 20% invest in high risk avenues.

Step 2: investment preference made from the table 4.5 or based on his occupation.
Since he come under the occupation salaried he can choose the preferred investment avenues from table 4.1.

7. SUMMARY

This report is a reflection of the behavior of different categories of investors. Selecting any perfect investment avenue is a difficult task for any investor. An effort is made to recognize the attitude and preferences of a sample of investors selected randomly out of a large population. Despite of many limitations to the study, was successful in identifying some of the investment patterns, and many of them responded positively to the study.

This report concentrated on identifying the investors future and current needs, investor's preference towards various investment avenues are identified based on their profession. Investors risk in selecting a particular option is dependent on the age of that investor.

8. CONCLUSION

This study confirms the earlier findings with regard to the relationship between risk tolerance level and age of individual investors. The Present study has important implications for investment managers as it has come out with certain interesting facets of an individual investor. The individual investor always prefers to invest in financial avenues which give risk free returns. This confirms that Indian investors even if they have high income and well educated are conservative. They prefer to play safe. The investment product designers can design products which can cater to the investors need who are low risk tolerant and use TV as a marketing media.

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10. ADHERENCE SHEET

Particulars	Last Date	Signature of Mentors	
Title of the Project/Area of Topic Finalization	21-Jan-16		
Literature Review/Objectives of the study	2-Feb-16		
Methodology	18-Feb-16		
Questionnaire/Data Collection tools	3-Mar-16		
Proposal Submission	5-Apr-16		
Data Collection & Analysis	12-Apr-16		
First Draft	19-Apr-16		
Final Report/Binding and Submission	3-May-16		

11. ANNEXURE 1

Questionnaire

1. **Are you aware of the following investment avenues?** *(Tick which ever applicable in the boxes).*

<table>
<tr><td valign="top">

Safe/Low Risk Investment Avenues:

- ☐ Savings Account.
- ☐ Bank Fixed Deposits.
- ☐ Public Provident Fund.
- ☐ National Savings Certificates.
- ☐ Post Office Savings.
- ☐ Government Securities.

Moderate Risk Investment Avenues:

- ☐ Mutual Funds.
- ☐ Life Insurance.
- ☐ Debentures.
- ☐ Bonds.

</td><td valign="top">

High Risk Investment Avenues:

- ☐ Equity Share Market.
- ☐ Commodity Market.
- ☐ FOREX Market.

Traditional Investment Avenues:

- ☐ Real Estate (property).
- ☐ Gold/Silver.
- ☐ Chit Funds.

Emerging Investment Avenues:

- ☐ Virtual Real Estate.
- ☐ Hedge Funds.
- ☐ Private Equity Investments.

</td></tr>
</table>

2. **What do you think are the best options for investing your money?** *(choose from above list) (Rank in the order of preference)*

1.＿＿＿＿＿＿＿＿＿＿＿＿＿＿ 2.＿＿＿＿＿＿＿＿＿＿＿＿＿＿ 3.＿＿＿＿＿＿＿＿＿＿＿＿＿＿

4.＿＿＿＿＿＿＿＿＿＿＿＿＿＿ 5.＿＿＿＿＿＿＿＿＿＿＿＿＿＿ 6.＿＿＿＿＿＿＿＿＿＿＿＿＿＿

3. **Reasons for selecting these options:**

1＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿

2＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿

4. **In the past, you have invested mostly in** *(write as many as applicable)*

＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿＿

5. **In which sector do you prefer to invest your money?**
☐ Private Sector   ☐ Government Sector   ☐ Public Sector   ☐ Foreign Sector

6. **What are the important factors guiding your investment decisions? (Return, safety of principal, diversification, progressive values, etc.)?**

7. **What are your savings objectives?**
☐ Children's Education ☐ Retirement ☐ Home Purchase ☐Children's Marriage
☐ Healthcare ☐ others_____

8. **What is your investment objective?**
☐ Income and Capital Preservation ☐Long-term Growth
☐ Growth and Income ☐short-term Growth
☐ Others_____

9. **What is the purpose behind investment?**
☐ Wealth Creation ☐ Tax Saving ☐ Earn Returns ☐Future Expenses
☐ Others_____

10. **Have you set aside funds specifically for the education and marriage of your children? If yes, please give amounts and how the funds are held**
Education: Amount Rs._____Invested in _____
Marriage: Amount Rs._____invested in _____

11. **Do you have a formal budget for family expenditure?**
☐ Yes ☐ No

12. **Do you have a savings and investment target amount you aim for each year?**
☐ Yes *if yes: Amount_____*
☐ No

13. **At which rate do you want your investment to grow?**
☐ Steadily ☐ At an Average Rate ☐ Fast

14. **Which factor do you consider before investing?**
☐ Safety of Principal ☐ Low Risk ☐ High Returns ☐ Maturity Period

15. *Do you invest your money in share market?* *(through a DEMAT A/C)*
☐ Yes ☐ No

   If yes: Imagine that stock market drops after you invest in it then what will you do?

   ☐ Withdraw your money ☐ Wait to increase ☐ Invest more in it

16. **How often do you monitor your investment?**
☐ Daily ☐ Monthly ☐ Occasionally

17. **What percentage of your income do you invest?**
☐ 0-15% ☐ 15-30% ☐ 30-50%

18. **What is the time period you prefer to invest?**
☐ Short-term (0-1yrs) ☐ Medium-term (1-5yrs) ☐ Long-term (>5yrs)

19. **Can you take the risk of losing your principal investment amount?**
☐ Yes ☐ No If yes: What percentage _____

20. **What is your source of investment advice?**
☐ Newspapers ☐ News Channels ☐ Family or Friends
☐ Books ☐ Internet ☐ Magazines
☐ Advisors ☐ Certified Market Professional/Financial Planners

35

Personal Details

(Personal details are kept highly confidential; these details will not be revealed to any third party)

Name: _____ **Designation**: _____

Organization: _____

Age Group:

☐ Below 20   ☐ Between 20-40   ☐ Between 40-60   ☐ Above 60

Qualification:

☐ Under Graduate   ☐ Graduate   ☐ PostGraduate
☐ Other: _____

Occupation (what category do you come under):

☐ Salaried   ☐ Business   ☐ Housewife
☐ Student   ☐ Professional   ☐ Retired
☐ Other: _____

Annual income:

☐ Below Rs. 2,00,000   ☐ Rs. 2,00,000- Rs 4,00,000

☐ Rs. 4,00,000-Rs 6,00,000   ☐ Above Rs.6,00,000

Do you have a financial advisor?

☐ Yes   ☐ No

What best describes your investment experience?

☐ **Beginning** *(no investment experience)*
☐ **Moderate** *(comfortable with fixed deposits, chit funds, post office)*
☐ **Knowledgeable** *(has bought or sold individual shares of stock or bonds)*
☐ **Experienced** *(frequently trade in stocks, commodities, options and futures)*

Date:

Signature:

**You have successfully completed this Questionnaire Thank
you again for your time and support!**