



## PREFERRED MORE THAN ONE INVESTMENT AVENUES FOR SMALL INDIVIDUAL INVESTOR IN TIRUNELVELI DISTRICT

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### ABSTRACT

Behavioural finance is a relatively new paradigm of finance, which seeks to supplement the standard theories of finance by introducing behavioural aspects to the decision making process. Early proponents of behavioural finance are considered by some to be visionaries. This was the first time a psychologist was awarded the Nobel Prize and played a key role in convincing mainstream financial economists that investors can behave irrationally. It attempts to explain and increase the understanding of the reasoning patterns of investor, including the emotional processes involved and the degree to which they influence the decision making process. Essentially, it explain the what, why, and how of finance and investing. It endeavors to bridge the gap between neo-classical finance and cognitive psychology. It takes into account the individual investor's decision making formula as well as his / her behaviour, which, in turn, sheds light on the observed departures from the traditional finance theory. Thus, behavioural finance is the application of scientific research on the psychological, social and emotional contributions to market participants and market price trends.

## INTRODUCTION

"An investment operation is one which, upon thorough analysis promises safety of principal and an adequate return. Operations not meeting these requirements are speculative." Savings form an important part of the economy of any nation. Savings represents that part of disposable income that is not spent on final consumption of goods and services. It is defined as the difference between income and consumption. During pre-independence period in India, people spent most of their income on consumption and only a small amount of income was left in the form of savings. As a result, the saving rate was very low. Since the attainment of independence in 1947, the major objective of the government has been the promotion of savings and capital formations. Increase in the savings, use of increased saving for financing the increasing required investment, use of the increased investment for increasing savings and use of the increased savings for a further financing the required investment constitute the strategy of economic growth. The process may continue till the saving, investment ratio to income would get stabilized and there would be steady

and self-sustained increases in national income and economic welfare. Investors can educate themselves about the variance biases they are likely to exhibit and then take steps towards avoiding them thus improving their effectiveness. Some common mistakes made by investors are selling too soon while booking profits, holding too long while facing losses, buying overpriced stocks based on market sentiments and positive evaluation by all and sundry. The key, according to Parikh, for an investor to succeed is to get in touch with the emotional indiscipline he has exhibited, and deal with it so that it is not repeated.

### Statement of the problem

The research is about behavioural finance because behavioural finance has made its impact on almost every field of life. In this concept study the how cognitive behavioural factors affect investment decisions making process towards preferred more than one investment avenues. Global financial markets are influenced by many factors, the economic processes which take place in the country and the world, institutional and

political constraints information. But behavioural finances influence the behavioural factors in small individual investors' investment decision making. There are two types of investors classified in India: one is small individual investors and another one is institutional investors. The researcher has focused only on the small individual investors investing in more than one investment avenues. As a researcher has observed that the problem of this study is that a few research works have proved that there is a great impact one or two behavioural factor influences the small individual investors preferred investment avenues for stock market and mutual funds but this research has focuses that not only stock market, mutual fund investments are influenced by the small individual investors behavioural factors and also reflect result on investment performance. This study attempts to small individual investors who invests small amounts of money in his / her account in more than one investment avenues. The small individual investors generally consider their investment needs, goals, objectives and constraints while making investment decisions.

### Significance of the Study

#### To the field of behavioural finance

The concept of behavioural finance emerged due to the financial difficulties facing the traditional concepts. The following points are stronger than the traditional theories of behavioural finance to support it. Behavioural finance theories assume that investors make rational decisions. But most of the studies conducted reveal that the investors do not act in a rational manner. They fill an important gap in understanding the interplay of behavioural finance and investor psychology and detail errors and try to influence the decision-making process. The development of variance investment channels, behavioural finance is widely used to study the behaviors that affect investment decisions; this study hopes to confirm the suitability of the investments made by using all sorts of behavioural finance.

#### To the field of behavioural factors

This research is an investment previously unspecified factors, diagnose earlier and later investing impact and lead to the major behavioural factors for: heuristic behaviour, prospect behaviour, gambler's fallacy behavior herding behaviour, self-confidence, delegates, availability bias, loss effect, disappointment, regret aversion, disposition effect, depressed affect, framing, risk capacity, self-intelligence, emotions. Current and future investors to invest in ways you can help to change their course.

#### To the individual investors or small individual investors

To the small individual investors who invests small amounts of money in his / her account in more than one investment avenues. The small individual investors generally consider their investment needs, goals, objectives and constraints while making investment decisions. But it impossible for them to make a successful investment decision at all times because behaviour factors highly influenced by the small individual investors preferred more than one investment avenues. Make the best investment decisions to guide the research and selection of small individual investors in managing their investment in ways to understand the errors tend to support

this research. In this study, half of small individual investors in the early and late results of this study help to control it, to explore behavioural factors and earn better investment returns.

### SCOPE OF THE STUDY

#### Area of the study

Research in behavioural finance has impact applications. A better understanding of behavioural process and outcomes is important for financial planners because an understanding of how investors generally respond to return should help investment advisors device appropriate allocation, strategies for their small individual investors. An individual investor investing small amounts of variance investment avenues as opposed to an institutional investor or foreign investor. The small individual investor / retail investor in today world every individual running for money and is considered as a root of happiness. For secure life for bright future people start investing. Still many people not take correct decisions for investing variance investment avenues. They are confuse by the excess wealth and at present India provides variance investment avenues in market and also behavioural finance factors impact on the preferred more than one investment avenues. So this research focus by identifying the most influencing behavioural factors on their in investment decisions selecting more than one investment avenues.

#### Geographical coverage of the study

The geographical coverage of the study survey will be limited to Tirunelveli district.

#### Who will be benefit?

Make the best investment decisions to guide the research and selection of small individual investors in managing their investment in ways to understand the errors tend to support this research and this study help to control it to explore behavioural factors.

### Objectives and Hypothesis of the Study

#### Objectives

1. To study the preferred more than one investment avenues of the small individual investors.

#### Research hypotheses

- a) Ho1 – There is no significant relationship between the age of the respondents and their investment amount percentage of preferred investment avenues.

### REVIEW OF RELATED LITERATURE

#### Investment avenues

The paper by Ashly Lynn Joseph, Prakash (2014), in this present paper to investigated the to understand the variance investment avenues available for people to make an investment, to understand and analyze the p investment avenues among the people, to understand and analyze the factors considered for making an investment, to understand the awareness level of the people about variance investment

avenues. The sample size was determined by the study 100 respondents who are the part of working population in few cities in Bangalore. The investors are selected by convenient sampling method. The result of the all the age groups among my respondents give more importance to invest in bank deposit and insurance. Income level of a respondent is an important factor which affects investment portfolio of the respondent. Respondents are more aware about variance investment avenues like insurance, bank deposits, small savings like post office savings etc. Every individual should be made aware about variance investment avenues, its importance, advantages etc for a secured future and also many more reasons.

The article by Brahmabhatt, Raghu Kumari and Shamira Malekar (2012), the present paper briefly discussed by the following objectives to understand in depth about different investment avenues available in market, to understand the pattern of the investors at the time of investing, to find out the factors that investors consider before investment. This study will help in gaining a better understanding of what an investors look for in an investment option. The study could also be used by the financial sector in designing better financial instrument customized to suit the need of the investors. The sample size was determined by this research 100 sample. Data collection has been done through primary data, which was done by personal interviews with the investors. The final result of this study Mumbai was a financial capital of India. Therefore the awareness of investment knowledge, investment opportunities is quite high. These people are helped by financial portals, financial news channels, financial newspapers; variance markets related TV shows, expert talks, magazines. For Indian public money is everything. So they are more sensitive about their money. They will think hundred times before investing in any market and will expect more than that.

The paper by Heena Kothari (2012), this study, an analysis has been made into preferred investor's behaviour towards investment avenues in Indore city. It has also studied the difference of opinion of age on investor behaviour while selection of any avenue. Since the aim of the survey is to allow every person to list his opinion about investment avenues. The final result of this study to find out this research endeavored to give a look on behaviour of investors towards investment avenues. The different avenues can be preferred provided it is put forth before young and different age group investors in the desired form. If the younger generation starts investing at such an early stage on regular basis, they will be able to save more for their future.

The paper by Kumar (2012), the paper examines variance investment alternatives available for small investors. There are many investment opportunities available in India for small investors. There are also many areas which make perfect places for a sound investment. We can invest into variance categories of investments viz. equity, debt, bank deposits, post office deposits, mutual fund, insurance, public provident fund, company deposits, gold real estate, commodities and miscellaneous. If the investors look for short term investments then they can invest in post offices, government bonds, mutual funds. If they concentrate on long term investments, then public provident funds, life insurance, long term bank deposits are suitable investment options for small investors. The investors should compare the risks and expected return on variance investment alternatives while taking investment

decisions. The investors could seek advice from experts and consultants of variance schemes while making investment decisions. This paper find out the result was provide an overview about the tax benefits available for variance investment alternatives and also recommends the variance points to be considered while making an investment decision.

The study by Sonali Patil and Kalpana Nandawar (2014), the research has studied the different avenues of investments as well as the factors while selecting the investment. Actually, the present study identifies the preferred investment avenues among the individual investors using self assessment test. The final result of this study has analyzed that salaried employees consider the safety as well as good return on investment on regular basis. Respondents are aware about the investment avenues available in India except female investors.

## RESEARCH METHODOLOGY

### Type of research design

Existing research, have used two types of research designs that is descriptive research design and experimental research design. Why it that the two types of research designs have used is in present analysis highlights the following paragraphs; In the present study, mainly descriptive research design had been adopted, as the main purpose of this study was to make fact finding study of preferred investment avenues, factors to make an investment, behavioural factors influencing and investment performance of small individual investors and to achieve new insights into it. Since the scope of the study was very vast, the existing research also represented the experimental research design. In experimental research design, two groups should be established; one is experimental group and control group.

### Type of survey

The research has used sample survey.

### Sample design

Sample design of the present study includes the following points:

### Type of universe

The first step in developing any sample design is to clearly define the set of objects, technically called the universe to the studies. There are two types of universe finite or infinite universe. The present research is based on the finite universe and the number of items is finite.

### Population

There are 32 districts available in Tamilnadu; the districts are divided into four regions: east, west, south and north. The present only concentrate one south zone only. The zone includes five districts Dindigul, Madurai, Tuticorin, Kanyakumari and Tirunelveli. The current study deals with the higher level population of Tirunelveli district.

### Sampling unit

The current study sample units, small individual investors include more than one preferred investment avenues.

## Sample size determination

Present research based on the total population in Tirunelveli district has decided to sample size determination. In Tirunelveli district, the total population in 2011 in Tirunelveli district was collected from the manual.

### Formula for finite population

$$n = Z^2 pqN / (N-1) e^2 + Z^2 pq$$

Z = Z value e.g. 1.96 for 95% confidence level,

p = population proportion (expressed as decimal) (assumed to be 0.5 (50%) since this would provide the maximum sample size).

n = sample size for finite population.

$$n = 1.96^2 * 0.5(1-0.5) * 3072880 / (0.05)^2 (3072880 - 1) + 1.96^2 * 0.5(1-0.5)$$

$$n = 2949964.8 / 7682.19 + 0.96$$

$$n = 2949964.8 / 7683.15$$

Sample size determination proportionate method = 384.0004 (approximately 384)

### Sample size = 384

By only 384 of the total population in Tirunelveli district and the sample size was determined by in the main study.

## Sampling technique

### a) Probability sampling

A method for selecting individuals for each member of the population has an equal chance of being selected to be added to the study.

### b) Sample frame work

The researcher has adopted probability structured convenient stratified sampling technique to collect the required data. 11 taluk in Tirunelveli district and 384 proportionate stratified allocation respondents are illustrated in the table below:

**Table 1. Proportionate stratified allocation of respondents in the main study**

Population strata and sample allocated using proportionate sampling						
	Rural	Urban				
Taluk name in Tirunelveli district	Population size (proportion of each stratum) Rural	Number of sample size allotted	Population size (proportion of each stratum) Urban	Number of sample size allotted	Total number of samples	
Tirunelveli	145009/3077233*384	19	497026/3077233*384	62	81	
Sankarankovil	284530/3077233*384	36	65614/3077233*384	09	45	
Sivagiri	72498/3077233*384	09	121658/3077233*384	15	24	
Nanguneri	149520/3077233*384	18	76082/3077233*384	10	28	
Tenkasi	171306/3077233*384	21	228640/3077233*384	29	50	
Ambasamudram	182786/3077233*384	22	245245/3077233*384	31	53	
Radhapuram	195626/3077233*384	24	109026/3077233*384	14	38	
Palayamkottai	91176/3077233*384	11	0/3077233*384	00	11	
VK Pudur	87865/3077233*384	11	35272/3077233*384	04	15	
Alankulam	125131/3077233*384	16	51007/3077233*384	06	22	
Shenkottai	51557/3077233*384	06	89859/3077233*384	11	17	
Total		193		191	384	

As it can be seen from the above table - 1 stratified sampling has been done in a two-way process in which the population is proportionate into strata (Tirunelveli district in rural and urban). In the group every population element assigned one and only one stratum and no population element was omitted.

Next elements were selected from each group based on proportionate stratified sampling, in that the size of sample drawn from each group is proportionate to the relative size of that group in the total population. This method was used, i.e. the researcher selected the respondents who preferred more than one investment avenues. This was necessary because while this research work was finalized, it was found that the behavioural factors highly influenced by the small individual investors' preferred more than one investment avenues.

The first step is proportionally stratified in the sample size allocated in the 11 taluk. The sample of present investigation comprises three hundred eighty three (N = 383) small individual investors in rural and urban areas 11 taluk in Tirunelveli district and as per aim of the present study, one hundred and ninety three (193) rural areas and one hundred and ninety one (191) urban areas in Tirunelveli district were considered. The data was collected through convenient stratified sampling method.

## Pilot study

The research areas in 11 taluk have been selected at stratified random around Tirunelveli district for the conduct of pilot survey. A well structured interview schedule was prepared and tested with a sample of 64 which is 1/6 of the total sample size. Based on the responses of the respondents, suitable modifications had been made in the interview schedule for the purpose of large sample survey. Reliability test revealed that Cronbach's alpha value was >0.86 for variance components of schedule. Hence the constructed schedule was found to be reliable and well administered for survey.

## Tools used for analysis

The collected primary data have been statistically processed, classified and tabulated using appropriate methods, tables and figures. The statistical results have been derived with the help of computer package called statistical packages for social sciences (SPSS).

## Preferred investment avenues by respondents

Preferred more than one investment avenues in small individual investors were analyzed and the results are presented in Table - 2.

**Table 2. Preferred investment avenues wise classification of small individual investors**

Preferred Investment Avenues	Classification of preferred investment avenues	Number of Small Individual Investors	Percentage
Post office	Preferred	152	39.6%
	Not preferred	232	60.4%
	Valid	384	100%
Bank deposit	Preferred	185	48.2%
	Not preferred	199	51.8%
	Valid	384	100%
Public provident fund	Preferred	121	31.5%
	Not preferred	263	68.5%
	Valid	384	100%
National savings securities	Preferred	163	42.4%
	Not preferred	221	57.6%
	Valid	384	100%
Government securities	Preferred	92	24.0%
	Not preferred	292	76.0%
	Valid	384	100%
Mutual fund	Preferred	199	51.8%
	Not preferred	185	48.2%
	Valid	384	100%
Life insurance	Preferred	261	68.0%
	Not preferred	123	32.0%
	Valid	384	100%
Debt	Preferred	93	24.2%
	Not preferred	291	75.8%
	Valid	384	100%
Bond	Preferred	41	10.7%
	Not preferred	343	89.3%
	Valid	384	100%
Share market	Preferred	322	83.9%
	Not preferred	62	16.1%
	Valid	384	100%
Real estate	Preferred	237	61.7%
	Not preferred	147	38.3%
	Valid	384	100%
Gold / Silver	Preferred	200	53.1%
	Not preferred	184	47.9%
	Valid	384	100%
Chit funds	Preferred	199	51.8%
	Not preferred	185	48.2%
	Valid	384	100%
Other investment avenues	Preferred	282	73.4%
	Not preferred	102	26.4%
	Valid	384	100%

Source: Primary data &amp; computed data

**Table 3. Classification of sources of fund used by preferred investment avenues**

S. No.	Sources of Fund	Number of Small Individual Investors	Percentage
01.	Own fund	339	88.3
02.	Borrowed fund	45	11.7
	Total	384	100.0

Source: Primary data &amp; computed data

**Table 4. Investment amount wise classifications of small individual investors**

S. No.	Annual Investment Amount Below	Number of Small Individual Investors	Percentage
01.	10%	29	7.6
02.	11-20%	78	20.3
03.	21 - 30%	72	18.8
04.	31-40%	126	32.8
05.	Above 40%	79	20.6
	Total	384	100.0

Source: Primary data &amp; computed data

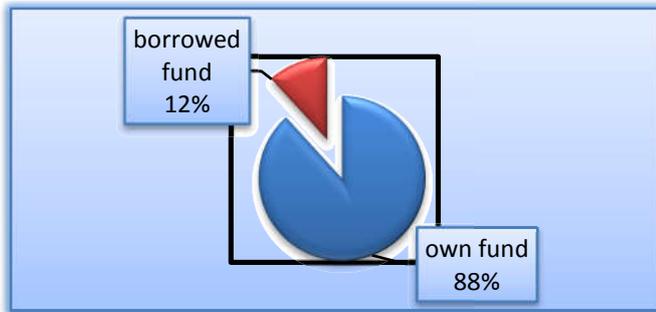
**Table 5. Cross tabulation of age of the respondents and investment amount of preferred investment avenues**

Age Limit	Investment Amount Invested in Selecting Investment Avenues					Total
	Below 10%	11-20%	21 - 30%	31-40%	Above 40%	
18-25	24	17	9	3	9	62
26-35	45	21	27	10	23	126
36-45	33	24	21	8	26	112
46-55	16	10	12	4	11	53
Above 56	8	6	3	4	10	31
Total	126	78	72	29	79	384

It is inferred that the majority of the respondents have preferred in their investment avenues for share market 282 of 384 (73.4), other investment avenues 282 of 384 (73.3%) and most of the small individual investors have not preferred investment avenues in bond (89.5%).

### Sources of fund used by preferred investment avenues

Sources of fund made by preferred more than one investment avenues in small individual investors were analyzed and the results are presented in Table – 3.



**Graph 1. Classification of sources of fund used by preferred investment avenues**

It is clear from the about out of 384 respondents, 88% of the respondents are used own fund in preferred more than one investment avenues followed by 12% of the respondents are used borrowed fund. It is inferred that the majority of respondents own fund used in preferred more than one investment avenues.

### Investment amount of respondents

The below table - 4 shows the percentage of investment amount made by the respondents an invested in preferred investment avenues.

From the above Table - 4 and Graph – 1, it is understood that 32.80% of the respondents belong to the investment amount have invested in 31-40% followed by 20.60% (above 40%), 18.80% (21-30%) and 7.60% (below 10%). It is inferred that the majority of respondents belong to the investment amount have invested in investment avenues 31-40% and lower proportion of the respondents belong to the investment amount have invested in investment avenues below 10%.

### Hypothesis testing

#### Chi-square test

The chi-square test procedure tabulates a variable into categories and computes a chi-square statistics. This test compares the observed and expected frequencies in each category to test either that all categories contain the same proportion of values or that each category contains a user-specified proportion of values. Here, the chi-square test for independence, also called Pearson's chi-square test or the chi-square test or the chi-squares test of assures, is used to determine if there is relationship between two categorical relationship between characteristics variables with before to making an investment decisions variables have been tested here to find the significant differ. The following are the list of hypothesis tested in this section:

**Table 6. Pearson chi-square test outcomes for age of the respondents and investment amount**

	Value	d.f	Asymp. Sig. (2-sided)
Pearson chi-square	13.008 <sup>a</sup>	16	.000

Sources: Computed data

# Ho accepted at 5%

### Hypothesis 1

The age wise classifications of respondents and their preferred types of investment were cross tabulated here. In order to find out relationship between them chi-square test is applied.

Ho1: There is no relationship between age of the respondents and their investment percentages of preferred investment avenues.

Ha1: There is relationship between age of the respondents and their investment amount of preferred investment avenues.

The calculated value chi-square  $X^2$  is 13.008. The p – value of 0.000 is lower than commonly accepted significance level of 0.05. So we reject the null hypothesis and accept alternative hypothesis. In other words, there is significant relationship between age of the respondents and their investment amount of preferred investment avenues.

### Major findings

- Majority of the respondents have preferred their investment avenues for share market 282 of 384 (73.4), other investment avenues 282 of 384 (73.3%) and the small individual investors did not preferred investment avenues in bond (89.5%) out of 343.
- Majority of respondents prefer own funds.
- Majority of respondents belong to the investment amount having invested in more than one investment avenues 31-40% and lower proportion of the respondents belong to the investment amount having invested more than one investment avenues below 10%.

### Suggestion

Investment service providers present study suggest that the current period of variance investment types are on the market in which investment could invest in the future more profitable investment that small individual investors are upset, so the investment is the correct information for small individual investors to reach the investment service providers, information flows the right way to provide a more they have no impact on the behaviour of the factors endangering the means to achieve their investment service providers have to make more profit. The current study, replacing the old theory of behavioural finance has developed new behavioural finance theory. This new theory of behavioural finance analyst has recommended the use of future researchers.

### Conclusion

The present study has been ever-growing body of research that has attempted to delineate behavioural factors influence by preferred more than one investment avenues. Behavioural factors influence is not only a theoretical issue but also forms the basis for behavioural finance theories. If financial

institutions understand their small individual investors needs and the way they use the information given they are able to fulfill their needs and satisfy their small individual investors. The results from this study also can help financial advisors to give appropriate information to their clients. it is hoped that the findings of the study would encourage further development of the knowledge concerning complex nature of investors behavioural factors influence the preferred more than one investment avenues in broad- spectrum.

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