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Investors' Perspective on Various Investment Options

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ABSTRACT

Investment is the process of investing money in something with the expectation of profit. Investment is not speculation nor gambling; it is a calculated decision based on an analysis of the economy, industry, and company. There are numerous investment avenues available in the market, each with its own unique characteristics, through which investors can invest with the anticipation of making money based on their risk tolerance level. Investment avenues are classified into five categories: low risk, moderate risk, high risk, traditional investment avenues, and emerging investment avenues. These studies' primary purpose has been to ascertain the factors that influence investors' investment decisions. Understanding these elements becomes critical for the subject's growth and to assisting professionals in directing investors toward sound investment selections. Based on available literature, this study attempts to explain the elements that influence individual investors' investment decisions.

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INTRODUCTION

An investment is an asset or object purchased with the intention of earning income or appreciating in value. Appreciation is the term used to describe the gradual increase in the value of an asset over time. When an individual purchases a good as an investment, the intention is not to consume it but to use it to generate wealth in the future. An investment is usually an outlay of capital today—time, effort, money, or an asset—with the goal of receiving a bigger return in the future than what was first invested. For instance, an investor may purchase a monetary asset now with the expectation that it will generate income in the future or will be sold at a profit at a later date. The return may be in the form of a gain (profit) or loss on the sale of a property or investment, unrealized capital appreciation (or depreciation), investment income such as dividends, interest, or rental income, or a mix of capital gain and income. Additionally, the return may include profits or losses in foreign currency exchange rates. Generally, investors anticipate better profits from riskier investments. When a low-risk investment is made, the expected return is typically low as well. Similarly, high risk carries the possibility of large reward. Diversification is frequently advocated to investors, particularly newbies. Diversification statistically has the effect of lowering overall risk. The purpose of this paper is to gain an understanding of the factors affecting investment decisions through a review of the available literature.

REVIEW OF THE BOOKS

Lucey(2005)[1] "investigates investor psychology and several facets of decision-making behaviour. The study's primary objective is to ascertain the impact of behavioural factors and the relationship between investor behaviour and risk. Investors, contrary to conventional finance theory, are not always rational. They are susceptible to a variety of cognitive and emotional errors; they are also susceptible to a variety of biases when making financial decisions. Due to the various investors' biases, their perception of risk varies. The findings indicate that individuals who are naturally risk adverse exhibit risk seeking behaviour by holding on to failing investments".

Awais et al. (2016)[2] "investigated the factors that influence investors' decision-making processes. According to the research, investors' decisions are influenced by the severity of risk concerns. Finally, they discovered that by increasing their understanding of financial information and their ability to analyse it, investors can improve their capacity to enter risky ventures in order to make high returns through effective investment management".

Kumar (2015)[3] "conducted study to ascertain the factors that influence investors' decision to invest. The author concludes that investors compared their returns and calculated the inverse proportionality between time and return using the nine factors of security, risk tolerance, lucrative return, investment duration, periodic return, share preference, long-term investment, futuristic return, and investment dynamics. Among these characteristics, stock investors' futuristic ambitions are heavily weighted in assessing their level of happiness".

Mishra (2015)[4]"concluded that whereas small investors are concerned with tax benefits and savings, large investors are concerned with future returns. Thus, mutual fund companies must place a premium on these metrics to ensure their survival and growth in the Indian market".

Muruganandam et al. (2015)[5] "demonstrated that good portfolio diversification ensures investors receive a higher rate of return, a higher pay, and a higher level of liquidity with the least risk".

Anbar and Eker(2010)[6] "examined the relationship between an investor's personal financial risk tolerance and his or her demographic features. They discovered that gender and job type had a substantial effect on financial risk tolerance. Additionally, they discovered that while gender, job type,

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monthly personal income, and total net assets all had a significant effect on investors' risk tolerance levels, age, marital status, and child count had no significant effect on investors' risk tolerance levels".

M.K. Antony (2009)[7] "discovered that investor psychology has a significant impact on investment decisions and market pricing. He surveyed forty institutional real estate investors in Nairoboi, Kenya. In his study, he classified psychological characteristics in order of importance from most to least important: "overconfidence, Frame Dependence, Representativeness, Mental Accounting, Herding, and Affect".

Rastogi (2015)[8]"stated that "the combined categories of gender and career had little effect on behavioural biases".

Shukla (2016)[9] "attempted this research article on an investor's preference for investment avenues, with the study concentrating exclusively on salaried individuals. The author found that the majority of respondents invested their money depending on their educational background and made long-term investments such as purchasing a property. Respondents define investment criterion as "safety and little risk".

Vaidehi et al. (2016)[10] "argued that diverse investment techniques as well as motivations and styles are driven by distinct demands. It examines the need for increased acceptance of paper investors' behavioural patterns; the behavioural patterns would assist investment advisors in visualising how investors respond to market schedules and would enable them to build appropriate allocation tactics for their customers. Among the elements considered, the investing motives prioritised long-term gain, which was followed by dividend and growth potential, as well as a balance of short- and long-term gains. Significantly, investors' investing styles are determined by their educational background, occupation, age, income, and amount of equity investments".

Hayat, Awan, and Arshad (2012)[11] "investigated the role of investor emotion in the decision-making process. The study examined the effect of changes in an investor's emotional state on his or her decision-making process. The first section is concerned with mood misattribution. This study examined the effect of environmental elements on equity price, such as weather and social factors. People in a good mood make more optimistic choices as a result of the favourable weather conditions. The second section discusses the influence of stock image on investor decision-making. The image of a stock elicits emotions in investors to a degree that is dependent on their investment behaviour. The study concludes that an investor may occasionally invest in a company based on his or her own preferences".

Ananth (2013)[12] "analysed investors' attitudes about various investment vehicles. Marketable and non-marketable investments, as well as high-risk and low-risk investments, are all classed. While the stock market is a high-risk investment with a high rate of return, the commodity market is risk-free. Mutual funds are a high-risk investment with a high rate of return".

H. ArifurRehman and A.B. Kalkundrikar (2011)[13]"concluded that people invest emotionally, that their feelings, fantasies, moods, and sentiments have been shown to influence investment decisions. Thus, these are some psychological influences on investors' investment decisions. The manner in which investment difficulties are conveyed to investors has an effect on them. They frequently make different decisions in similar situations depending on how the problem is phrased".

Avinash Kumar Singh (2006)[14]"analysed the investment patterns of persons in Bangalore and Bhubaneswar using the survey method. After analysing and interpreting data, it is found that investors in Bangalore are better knowledgeable about numerous investment opportunities and the related risk. All age groups prioritise investing in stock, except those over 50, who choose insurance, fixed deposits, and tax savings".

Iqbal and Usmani (2011)[15]"identified that factors such as prior performance, the ability to withdraw cash, and the company's reputation all had a substantial impact on investor decisions. Additionally, these investors are susceptible to a variety of behavioural biases that influence their decision-making".

Jain and Mandot (2012)[16]"found that stock purchase decisions are made with the goal of maximising wealth. Investors consider family and friend recommendations as well as accounting data, but the majority of their selections are made independently of others. Individual investors lack expertise, which impairs their decision-making".

Juwairiya P. P. (2014)[17] "concluded that systematic investment plans are a technique for building wealth over time by investing a small amount of money each month." A systematic investment strategy is simple".

Kaboor.A (2010)[18] discovered that "financial literacy is not uniform among various investor groups".

Kirshnudu.Ch, B. Krishna Reddy, and G. Rama Krishna Reddy (2005)[19] "discovered that when investors make investing decisions, they are primarily impacted by family members".

Ramprasath.S and Dr. B. Karthikeyan (2013)[20]"said that the majority of investors place a premium on the 'safety' aspect. Similarly, individual investors have favoured investment vehicles such as bank accounts, life insurance policies, and gold. Similarly, the majority of investors evaluate the performance of their investment avenues on a quarterly basis".

Murugan (2012)[21] "concluded that the majority of investors are mostly uninformed of corporate investment opportunities such as equity and preference shares, mutual funds, corporate debt securities, and bank deposits. According to the report, respondents are quite knowledgeable about classic investment vehicles such as real estate, bullion, bank deposits, life insurance schemes, and modest savings schemes. Additionally, female economic independence is associated with a low level of participation in investment decisions".

Prasanna Kumar S. (2014)[22]"Investment and savings are distinct concepts. Investment is the act of saving with the hope of reaping a reward in the future. There are a variety of investment alternatives accessible, including bank savings, NRO funds, real estate, stocks, and bonds. The study's respondent reveals that the majority of respondents chose deposit as their mode of investment."

Karthikeyan (2001)[23] "conducted research on Small Investors' Perceptions of Post Office Saving Schemes and discovered a significant difference in the level of awareness for kisan vikaspatra (KVP), National Savings Scheme (NSS), and Deposit Scheme for Retired Employees (DSRE) among the four age groups, and the Overall Score Confirmed that the level of awareness among investors in the older age group was higher than that of investors in the younger age group".

V.R Palanivelu& K. Chandrakumar (2013)[24] examine the choices of investment preferred by the salaried class people of Namakkal Taluk, Tamil Nadu, India. They take a sample size of 100 to show how factors like age, income, etc come into play while making an investment decision.

Neel Kamal Purohit (2013)[25]"discovered that income has a considerable effect on the frequency of stock market trading, the style of trading, and the market sectors chosen for trading." Age and socioeconomic level have a substantial effect on exposure".

Mane (2016)[26]"examined client perceptions of mutual funds, the schemes they favoured, the plans they chose, and the rationales for their selections. This study examined alternative investment options that consumers choose in addition to or instead of mutual funds, such as postal savings schemes, recurring deposits, bonds, and stocks. Conclude that because mutual funds are related to the stock market and investors are not seeking guidance from authoritative advisors regarding their mutual fund investments, it creates difficulty in selecting the mutual fund plan that is most advantageous for them."

Selvi (2015)[27]"examined several studies that are available on investors' attitudes toward investment avenues and concluded that while conventional investment avenues such as bank deposits and gold are the most desired, insurance schemes and post office instruments are gaining traction."

According to Bhawana Bhardwaj et al. (2013)[28] "the majority of respondents chose bank accounts and provident funds as investment avenues. Investors desired a predictable rate of return on their investment".

GauravAgrawal et al. (2013)[29] discovered that almost all investors are familiar with banks and life insurance companies, mutual funds and real estate, national savings certificates, and gold." Certain investors are unfamiliar with Public Provident Funds, Equity Shares, and Bonds".

Neha S Shukla (2016)[30]"discovered that respondents with any level of education participate in various investment opportunities, and that both males and females have an investment proclivity. The majority of investors invest with a specific objective in mind, namely long-term gain."

Pandiyan and Aranganathan (2012)[31]"conducted research in Rajasthan and discovered that demographic factors influence investment decisions. They approach decision-making differently; some are risk takers, while others are risk averse. Individuals with varying ages, income levels, levels of knowledge, gender, marital status, and occupations make varying choices".

R. Kasilingam and G. Jayabal(2010)[32] "conducted research on investor segmentation based on choice criteria assessed in their research small saving schemes are designed with adequate features to meet the needs of the people; however, the facilities and services offered are insufficient to provide investors with convenience. To attract the vast resources available in rural areas, financial services should be brought to their doorsteps. As previously indicated, the overwhelming majority of Indian investors desire risk protection for their cash. As a result, the flow of household savings to the capital market will remain stagnant due to the market's high volatility".

S. Umamaheswari and M. Ashok Kumar (2013)[33]"assert that "external sources are responsible for generating, moderating, and changing investors' investment decisions." Television, radio, print media, and personal contact with experts, relatives, and friends all contribute to investment decision-making".

According to Sushant Nagpal and B. S. Bodla (2009)[34] "the modern investor is a mature and well-groomed individual. Blind investments are uncommon, as the bulk of investors are observed to make judgments with the assistance of some source and reference groups".

Diva (2015)[35] "All investors are unique due to a variety of demographic considerations. The government's primary objective should be to develop laws that encourage individuals to invest more of their surplus money or savings, which they often hold at home or in banks as emergency funds for unpredictable and unforeseeable future requirements".

Kothari (2014)[36] "discovered that the majority of younger and millennium people were significantly more interested in making various types of investments than the majority of middle- and older-aged people, as they have a different concept of investment and rely on the majority of traditional investment options." As a result, it was established that different age groups have varying attitudes on the concept of investing".

M.V.Subha (2015)[37] "suggested that while the majority of individuals possess a reasonable degree of fundamental financial and monetary knowledge, there is still a need to improve the financial and tax understanding of all investors in relation to markets and financial returns."

Shivakumar and Thimmaiah (2015)[38] "concluded that the majority of respondents believed that the primary purpose of their investing decisions is to protect their surplus assets and educate their children".

P.Sasirekha&U.Jerinabi (2015)[39] "In this era of new age financial products that are extremely popular and widely available in the market, salaried individuals must have a basic understanding and knowledge of the various and overall investment patterns and options that affect not only their overall portfolio but also their overall growth".

Aduda, Oduor, and OnwongaAduda, Oduor, and Onwonga (2012)[40] "Investors of various categories save and invest. The study examined the paid individual's attitude toward investments. Investment is critical to a country's economic progress. The salaried individual requires security and assurance for the investments he made with his salary. Numerous newly employed individuals make poor investing choices. Appropriate rules are required for prudent investment. The government should take appropriate measures to protect investments and promote saving habits among salaried individuals".

CONCLUSION

The study demonstrates that investors' investing preferences vary among investment outlets. The investor's preference in Investment Avenue is determined by the investment's risk, return, safety, and liquidity. When a regular man considers investment, he will never choose a risky strategy. In the current environment, the stock and gold markets are particularly uncertain and unpredictable, and investors should do thorough market analysis before making an investment decision. With the economy growing and investment in securities expanding in recent years, the study would tremendously assist prospective investors, portfolio managers, and financial planners in successfully advising their customers on risk diversification.

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