Investment Choices Decoded: An Insignt In To Investor Awareness and Preferences

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Abstract

The rural investors saving and investment behavior is always varying especially for rural people because of education level, life style, Occupation and Income. Consumption pattern entirely differ from other households. The objective of the paper is to analyse the perception and level of awareness of rural people with regard to various investment avenues. The study reveals that majority of the rural people are not fully aware about financial instruments but they have much awareness about real assets and gold. As educational attainment is high people are more aware of various investment avenues and ties to attain their investment goals by reducing risk. The marital status wise analysis of purpose of savings shows that old age security was given much importance by the widowed and divorced category and next to this is interest gain ownership of physical assets.

Keywords: Financial Asset, Investment, Rural People, Real Assets, Savings,

Introduction

Saving can be defined as the income which cannot be spent on current consumption. Total savings comes from individual save out of their personal incomes. Household sector plays a predominant role in the economic growth of the nation as it provides pool of capital in the form of financial saving such as currency, Bank deposit, Shares, Bonds, Mutual Fund, Life Insurances etc. There is a lot of opportunities to make investments in financial and real assets. Savings and investment plays a predominant role in any nation's economy. They contribute much to capital formation, which sustain the economic activities of a country. Investment helps to boost the economic activities of the nation. Invest is the utilization of money to generate more return. It is the process of purchasing a financial asset with the expectation of return. Saving is the portion of income not spent on current expenditure. It is the money set aside for future use and not spent immediately. Household savings is usually the largest components of domestic savings in developing countries especially the lower income Majority of the rural households are small scale farmers and as such a significant part of their non-farm income comes from small and medium enterprises.

Significance of the Study

Rural Households saving and investment plays a predominant role in capital formation and economic growth. Rural People plan for the future and the present by making saving and investment decisions. A household portfolio is a combination of different investment assets mixed and matched for the purpose of achieving investment goal. Saving and investment are possible only when an individual put a margin

between income and expenditure. As the rural sector is the predominant sector in pooling savings, rural saving and investment behavior plays a crucial role in the economy's growth process. Hence the study of volume of savings, preference of assets, investment channels and determinants related to household saving and investment are of at most importance.

Objectives of the Study

1. To analyse the investment preference and purposes of investment towards various investment options
2. To analyse the awareness level of investors towards various investment avenues

Review of Literature

Review of earlier studies provides an insight about the study.

Nathridee and Piyarat (2015) studied the prime determinants of the forms of saving in Thailand. The saving behavior showed that household tended to move along with risk averse financial instruments like bank deposits, insurance policies etc. The priority towards financial assets such as bonds, mutual funds, corporate bonds, stocks etc was less. The main purpose of saving was for post-retirement spending.

Amudha and Varathan (2015) studied the main factors determining the saving pattern of rural people. The changes in lifestyles and pattern of consumption have brought variations in household savings. The household savings is not only dependent on income but also on the consumption pattern of the individuals. As income moves in the positive direction savings are encouraged.

Samantaraya and Patra (2014) made an attempt to review and empirically evluate the role of different factors affecting domestic savings under the post reform period in India. They have analyzed the trends in saving, investment and growth of Indian economy during the period 1950-51 to 2010-11. The study employed ARDL approach for this purpose and the results explicitly showed that that household saving in India is directly influenced by variables such as GDP, interest rate, and inflation.

Mehta (2013) studied the trends and pattern of household savings in Indian economy during the period 1950-2010. The results of the study show that the Marginal Propensity to save is higher in the post reform period and the long run Marginal Propensity to save is higher than the short run MPS. The income elasticity of savings has shown a mild decline in the post reform period.

Lewi and Messy (2012) examine the barriers to saving, including limited access to financial markets, complexity of financial products and information asymmetries. In many countries especially under developed and developing economies people have low knowledge and understanding of savings and investment concepts. Policy makers must develop financial and awareness incentives, financial education as well as behavioral techniques to encourage people into sound saving and investment decisions.

Statement of the Problem

India is considered as a rural based country because of 68. 9 percent of it's population is living in rural areas. Likewise, in Kerala, around 53 percent of population is also living on rural villages. In order to make India as a developed nation there should be an upliftment of the lives of rural people specifically in their economic conditions through proper enhancement of savings and investments. The saving activity of rural people are effected by several factors such as income level, education level, age, Occupation, marital status, purpose or motives of savings, awareness level etc. which influences the savings behavior of rural people. Here the proposed study wills focus on the savings and investment behavior of rural people

with special reference to Calicut districts Kerala. With respect to this region, no systematic studies and reports are available on this title. Hence there is a wide gap and researcher proposed the present study.

Methodology

The study is an empirical one based on primary data. The data required for the study has been collected from both primary and secondary sources. The rural households of Malabar region form the universe of the study. For these 240 respondents were selected from the 64 villages of the Malabar region.

Collection of data

The data required for the study have been collected from both primary and secondary sources. The secondary data required for the study has been collected from various sources like books, journals, magazines, reports, working papers etc. related to the topic. The primary data has been collected from the households with the help of a properly designed interview schedule. Rural households of 64 villages of Malabar region form the universe of the study.

Tools for the study

The data collected has been classified and tabulated. Appropriate statistical and mathematical tools like percentages, weighted averages were used wherever appropriate. Rating scales and ranking tables were also used to measure the opinion of the respondents.

Data Analysis
Savings and Investment Pattern of Rural People
Introduction

In order to identify the pattern of investment, the investigator identified nine avenues of investment like bank deposit, post office schemes, pension funds, insurance, mutual funds, bonds and debentures, derivatives, real estate and gold. Analysis was made on the basis of five demographic variables, namely, Income of the respondents, age and education level of the respondents, occupation and marital status of the respondents. In order to measure the awareness level of the respondents a five-point likert scale, stating very high, high, low, very low and neutral, was used to gather the data from the respondents.

General Profile of the Respondents

SL. No.	Demographic Variables	Frequency	Percentage
2.	**Age of the Respondents**		
	20 – 35 years	37	15.4
	36 – 50 years	53	22
	51 – 65 years	76	31.6
	Above 65 years	74	30.8
	Total	**240**	**100**
3.	**Gender**		
	Male	130	54.2
	Female	110	45.8
	Total	**240**	**100**

4.	Marital Status		
	Married	130	54.2
	Single	110	45.8
	Divorce	0	0
	Total	**240**	**100**
5.	**Educational Qualification**		
	SSLC	38	15.6
	Plus Two	92	38.5
	Degree	80	33.3
	PG	30	12.5
	Total	**240**	**100**
6.	**Occupation**		
	Self Employed	64	26.5
	Government	65	26.9
	Casual workers	31	12.5
	Business	80	34.2
	Total	**240**	**100**
7.	**Annual Income**		
	>Rs. 20000	56	23.3
	Rs. 20,000- 40,000	112	46.5
	Rs 40,001 – 60,000	47	19.8
	Rs < 60,000	25	10.4
	Total	**240**	**100**

Source: Sample Survey

The above table reveals the summarized general profile of the respondents. On the basis of age consumers were classified in to four categories namely, (Age up to 35) (Age 36-50) (51 – 65) (Above 65 years). Majority (51.6%) of the respondents belongs to 51- 65 age group, followed by above 65 age group and 35- 60 years. In the gender category majority (54.2%) of the respondents are male and 45.8 % are female.. In respect of occupation the maximum (34.2%) respondents are business man followed by government sector (26.9%) and self employed (26.5%). It is observed that only 12.5 percent respondents are casual workers. As far as monthly income is concerned a good number of respondents (46.5%) come under higher income group of Rs. 20,001 to Rs. 40,000 followed by less than Rs. 20,000 income categories.

Purpose of saving

Households save their income for multiple purposes. The objective behind saving varies from one individual to another. According to Keynes (1936) people save with different motives for different purposes. The motive for saving is analysed on the basis of their desire to acquire physical asset, with the motive to earn interest, to meet unforeseen contingencies in life, old age security, for tax exemptions, educational purposes of children, marriage and other ceremonial expenses in life.

Preference Order related to Purpose of Saving (Percentage)

Preference Order	Acqusition of fixed Asset	To earn interet	Unforeseen contingencies	Old age security	Education of Children	Marriage	Tax Benefits
1	35.4	20.0	8.8	13.5	15.4	6.4	0.0
2	18.8	32.4	16.2	11.7	9.2	8.7	3.5
3	8.3	18.4	30.0	13.9	15.5	7.5	6.5
4	10.6	10.0	23.3	13.8	17.8	16.6	7.5
5	7.5	7.5	12.2	24.8	13.7	20.6	14.5
6	7.7	5.8	7.5	13.9	17.9	18.6	23.6
7	7.5	5.8	1.4	8.3	10.8	21.7	4.4
Total	100	100	100	100	100	100	100

Source: Compiled from Primary Data

According to the study 35.4 per cent has given highest priority for acquisition of physical asset. 20 per cent has sighted that the main motive for saving is to earn interest. 15.4 per cent has given their first priority for education of their children as the main purpose of saving. Old age security has been the first preference for 13.5 per cent of households. An unforeseen contingency has been prioritized by 8.8 per cent and only 6.4 per cent has given their first preference for marriage and other ceremonial activities as the main reason for saving.

Analysis of the Purpose of Saving

Attempt was also made to analyse the purpose of savings. The purpose of savings and the highest priority given by the respondents across income, education, age, occupation, and marital status is clearly exhibited in the table given below. The percentage values clearly show the changes in relation to the purpose behind saving.

Analysis of the Purpose of Saving (Percentage)

Variable	Attributes	Asset acquisition	Interest	Unforseeen Contingencies	Old age Security	Education of Children	Marriage	Total
Income	>20,000	50.0	16.3	3.3	7.6	8.7	14.1	100
	Rs. 20,000-40,000	25.3	20.9	20.9	22.0	17.6	3.3	100
	Rs 40,001 – 60,000	32.0	14.47	14.47	21.3	18.7	4.0	100
	Rs < 60,000	42.0	26.1	10.1	2.9	17.4	2.9	100
Education	SSLC	48.1	19.2	7.7	13.5	1.9	9.6	100
	Plus Two	36.0	30.0	8.0	2.0	18.0	8.0	100

	Degree	30.0	18.1	9.4	16.9	19.4	6.2	100
	PG	38.0	18.4	8.2	13.3	15.3	6.1	100
Age	20 – 35 years	66.0	8.5	4.3	8.5	0.0	12.8	100
	36 – 50 years	51.9	18.2	5.2	6.5	15.6	2.6	100
	51 – 65 years	34.7	27.1	7.6	2.5	22.0	5.9	100
	Above 65 years	14.4	18.6	13.6	30.5	15.3	7.6	100
Occupation	Self Employed	39.6	27.7	9.0	9.7	9.7	6.9	100
	Government	30.6	15.8	8.2	17.3	21.4	6.6	100
	Casual workers	60.0	20.0	10.0	00	00	10	100
	Business	60.0	20.0	10.0	00	5.0	5.0	100
Marital Status	Married	33.0	19.9	20.1	11.6	20.8	5.2	100
	Single	59.6	12.8	4.3	6.4	0.0	17.0	100
	Divorce	28.3	28.3	4.3	30.4	2.2	6.5	100
Total		**35.6**	**20**	**8.6**	**13.3**	**15.6**	**6.9**	**100**

Source: Compiled from Primary Data

Within the income group the main priority behind saving is given to the acquisition of physical asset especially 50 per cent in the income category with monthly income less than 25000, ranked it as the prime objective behind saving. The education wise analysis of purpose of saving shows that the motive to earn interest has been given more importance by the respondents with plus two level of education. Within education group the preference given for unforeseen contingencies is similar ranging from 7 to 10 per cent. Saving for the purpose of educating children was given very low preference by the respondents with only SSLC while this category has given more importance to marriage and other ceremonial expenses.

Level of Awareness of respondents

In order to measure the level of awareness of the respondents towards the various categories of investment options, the avenues are categories in to four groups. The group consists of chitty and SHC, shares, debentures and mutual funds, Bank deposits and insurance and PF. Five point Likert Scale is applied to measure the level of awareness of the the respondents towards various investment avenues. The details of the analysis are given below:

Level of Awareness of Respondents towards Chitty and SHG

Awareness Level	Number of Respondents		Likert Scale	Total Score	
	Chitty	SHG		Chity	SHC
Very high	84	95	5	420	475

High	75	84	4	360	336	
Neutral	58	50	3	174	150	
Low	11	05	2	04	09	
Very Low	12	06	1	6	07	
Total	240	240		962	977	

Source: Sample Survey

According to the table depicted above, the total value of chitty is 964 and SHG is 977. In order to measure the level of awareness of the respondents, the total value obtained should be divided by the total number of respondents 240. In a five point scale the score more than three indicates that the respondents are aware about it. The following equation is used.

Formula to calculate the Likert Scale Value = $\sum$f (x)/ total number of respondents
Likert Scale Value of Chitty = 962/ 240 = 4.01
Likert Scale Value of SHG = 977/ 240 = 40.07
Science the value of both the avenues are more than thee (4.01) the respondents are highly aware about the Chitty and Self Help Gropus.

Level of Awareness of Bank Deposits and Post Office saving deposits

Awareness Level	Investment Avenues		Likert Scale	Total Score	
	Bank	**Post office**		**Bank**	**Post office**
Very High	103	95	5	513	475
High	98	106	4	240	424
Neutral	17	16	3	49	47
Low	14	18	2	32	64
Very Low	8	5	1	8	05
Total	240	480		842	1014

Source: Sample Survey

It is clear from the table that the score of post office saving deposit is 2023 and the score of bank deposit is 1983 Here the bank deposits consist of fixed deposits, saving bank deposits and recurring deposits**.** The following formula is used to measure the awareness level of respondents towards bank deposits and post office savings account.

Formula to calculate the Likert Scale Value = $\sum$f (x)/ total number of respondents
Likert Scale Value of post office savings = 2023/ 480 = 4.22
Likert Scale Value of bank deposits = 1983 / 480 = 4.22
It can be concluded that the respondents have high level of awareness towards post office saving deposits and bank deposits.

Conclusion
Savings and investments are the part and parcel of our day-to-day life and it is not easy for one to meet the expected and unexpected expenditures without the proper amount of savings and strategic investments.

The government should take suitable measures to give financial awareness in rural area and should hike the opportunities to do the research in this area to find how the rural households are taking financial decision makings. There are different avenues of investments available for investors to invest their savings in the current scenario of market but these options have available more on urban areas. In view of this, the rural investors are hesitant to invest their savings due to lack of knowledge to manage their investment portfolio to increase their return and to minimize risk. Education through various awareness programms and entry of institutional agencies to rural area can help the rural people to improve their financial health and standard of livings. Hence the Government and non-governmental agencies should take care in initiating more awareness programs to educate the people of rural areas.

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