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An evidence-based investigation into the implications of socio-economic factors for private investment decision-making in the context of India

Abstract

India is characterized by people who save money with a high confidence level. The success of investment prospects in India depends on the precise estimation of its potential. With a population of more than one billion of strong work ethic, high levels of education, democracy, communication skills and an entrepreneurial culture, India is supposed to dominate the global economy in the next 20 years. Investment is the sacrifice of certain present value for an uncertain future reward. It involves arriving at a number of decisions such as type, mix, amount, timing and grade of investment and disinvestments. Moreover, such decision-making has not only to be continuous but rational too. Broadly speaking, an investment decisions is a trade-off between risk and return. Since investments in securities are revocable, investment ends are transient and investment environment is fluid. The reliable bases of reasoned expectations become vague as one conceives uncertainty of the distant future. Investors will, therefore, from time to time, reappraise and reevaluate their various investment commitments in the light of new information and changed expectations. Investing has been considered as an activity confined to the rich and business class in the past. This can be attributed to the fact that availability of investible funds is a pre-requisite funds deployment. But, today, the investment has become a household word and is very popular with people from all walks of life. The aim of the study is to get more insight on the investment behavior of individuals based on their demographic factors such as age, gender, income, educational qualification, place and occupational pattern.

Keywords: investment, socio-economic, preferences, investor, and investment avenues.
JEL Classification: G02.

Introduction

India is mainly characterized by people who save money with a high confidence level. The success of investment prospects in India depends on the precise estimation of its potential. India's GDP is currently US$1.3 trillion, making it the eighth largest economy in the world. In terms of PPP (Purchasing Power Parity) it is the third largest economy in the world next to the USA and China. The Indian economy offers the exposure to the investors with a wide range of opportunities right from consumer goods and pharmaceuticals to infrastructure, energy and agriculture. India is one of the youngest countries in the world, with an average age of 25 and working age population will increase by 240 million over the next 20 years. With a population of 1.2 billion, a strong work ethic, high levels of education, democracy, communication skills and an entrepreneurial culture, India is supposed to dominate the global economy in the next 20 years.

The money earned is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle, it can be used to get return in the future that is called investment. Investment is the act of assigning money or capital to an endeavor with the expectation of obtaining an additional income or profit. Investment is the sacrifice of certain present value for an uncertain future reward. It involves arriving at a number of decisions such as type, mix, amount, timing and grade of investment and disinvestments. Moreover, such decision-making has not only to be continuous but rational too. Broadly speaking, an investment decisions is trade-off between risk and return. Since investments in securities are revocable, investment ends are transient and investment environment is fluid. The reliable bases of reasoned expectations become vague as one conceives uncertainty of the distant future. Investors will, therefore, from time to time, reappraise and reevaluate their various investment commitments in the light of new information and changed expectations. Heiborn, Marie Christin (1998) have studied the relationship between demographic variables and housing markets and has found that the tenure choice is affected by the relative cost of home owning and other socio-demographic factors.

The aim of the study is to get more insight on the investment behavior of individuals based on their demographic factors such as age, gender, income, educational qualification, place and occupational pattern.

1. Methodology of the study

The performance of an investment product depends upon the performance of the issuing company, micro- as well as macroeconomic factors, national political scenario, global issues, etc. When making investment

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decisions, individuals find it difficult to evaluate the investment outcome, because the fate of the investment is decided by the actual profit or loss realized by the company.

The study is confined to the Tiruchirappalli District in Tamil Nadu. A stratified random sampling method was used to collect the data. Tiruchirappalli Corporation consists of four zones, namely Ariyamangalam in the east, K. Abhishekapuram in the west and Srirangam in the north and Ponmalai in the south. Survey was conducted in all four zones of the Tiruchirappalli Corporation. About 3% of the population of professional tax payers from each zone was selected to conduct the survey. The respondents were selected from the professional tax payers list prepared by the respective local administration office of the special village panchayaths. Prior permission was obtained from the executive officers of the respective special village panchayath offices. About 8% of the population was fixed to conduct the survey in each of the special village panchayaths. The primary data has been collected by the questionnaire. The survey was conducted in both rural and urban paces of Tiruchirappalli district. The questionnaires were mailed to the addresses of the professional tax payers provided by the respective local administration office along with a stamped self-addressed cover. The study covers the financial investment products, namely post office savings scheme, bank deposits, mutual fund, shares, gold, and real estate. Analysis of the data has been made using Chi-square test, ranking analysis using weighted average, ANOVA single factor and percentage analysis. The study has the following assumptions.

- Even though each financial product has its own number of sub products, only the main, broad topic of financial product is studied.
- Among the demographic variable, the researcher has observed that the occupational pattern of the respondents are the most influencing factors on the satisfaction level of the respondents. Hence the relationship is studied in depth for the above factor only.

The research intends to answer the following questions:

1. Is there any relationship between socio-economic factors and investment avenues?
2. Are the personal factors influencing the individual investment decision?
3. Is there any association between the problems faced by the investor and the review of investment plan?
4. Is there any association between the perception of investor and financial expert towards investment preference?

2. Literature review

Leimberg et al. (1993) were among the first to conceptualize the financial planning and investment decision-making process. They recommended to use the framework as a working tool to help investment managers summarize the following individual activities involved in the process of investment and financial planning: (a) gathering background information; (b) establishing financial objectives; (c) developing financial plans; (d) controlling and executing plans; and (e) measuring performance. The framework is useful as a working theoretical model because it is holistic, giving equal weight to inputs, management processes, and outputs. Outputs are measured in terms of client satisfaction, which is defined as achieved ends in comparison with initial goals. It is recursive to allow for the cyclical nature of the planning, implementation, and performance evaluation processes. In sum, the model shares similarities with the Deacon and Firebaugh (1975) theory; it is often applied to the study of financial management.

Li (2004) studied and developed the investment decision support framework for retirement planning alone by taking into account expected life, inflation, changing need, and medical expenses. Frese (2003) uses a multidisciplinary theoretical approach in his thesis on the factors affecting investments of an individual. The literature comes from a variety of disciplines such as economics, psychology, and biology. Various factors affecting the investment are categorized by the above findings. This study integrates the literature on the divergent disciplines.

Jacobs-Lawson and Joy (2003) found how the women's personal investment decisions are related to demographic and psychological variables. This study takes into account the age, occupation, family size, income and other factors. Rangel and Almeida (2004) have developed theoretical models of family decision-making that highlights the role of the individual in the family. The process of decision-making in the family, the influence of others on the investment, the preference of the different members are also taken into account.

Hurley (2005) studied the investment decision-making under the biases. She studied the biases attributed to risk preferences and job occupation. This research concludes that the investment decision-making results are more consistent and accurate through the reduction of biases. Schwarzkopf (2002) demonstrates the effects such as cluster attraction, repelling and compromise during sequential decision-making in investment. These factors are expanded and this collection is studied in the investing context.

Esson (2000) analyzed the characteristics of low-income savers in a working class residential area of Cape Town and concluded that they could not invest regularly due to irregular income they earn. Heiborn (1998), in her thesis, states the relationship between demographic variables and housing markets. She also found that the tenure choice is affected by the relative cost of home owning and other socio-demographic factors. Qihua "Catherine" Lina, Jinkook Leeb (2004) discuss the characteristics of investment decisions and identify the factors that affect consumers' information search behavior when they make investment decisions.

Shanmugham (2000) conducted a survey with 201 individual investors to study the information sourced by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominated the economic factors in share investment decisions. Madhusudan V. Jambodekar (1996) in his study on individual's investment on mutual funds reveals that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes.

Sikidar and Singh (1996) conducted a survey to understand the behavioral aspects of the investors of the North Eastern region towards equity and mutual funds investment portfolio. Raja Rajan (1998) studied the relationship between stage in life cycle of the investors and their investment pattern. Raja Rajan (1997) made a study on investors on the basis of their investment size. Arenas, Bilbao and Rodriguez (2001) took into account three criteria namely return, risk and liquidity to solve the portfolio selection problem. Koskela and Viren (1982) studied the relationship between savings and inflation.

Rode (2000) studied the importance of diversification benefits and the difficulty in implementing a well-diversified portfolio. Zimmermann (2000) studied the capital allocation, information search, and portfolio follow up of women investors. Walker and Ryan (1990) studied villagers' investment style and the risk they face on their investment. Linneman (1985) adresses the factors that influence the investment decision in real estate such as impact of taxation on buying, transaction cost involved in acquiring the asset like stamp paper, registration cost, and also the market condition like value appreciation burst.

Schooley and Worden (1999) studied the relationship between the risk in individual investor's portfolio, their financial planning time horizon and their risk tolerance, expectation about future economic down turn, age, education, and marital status. Rajewari and Ramamoorthy (2001) conducted survey among 350 mutual fund investors in 10 urban and semi urban centers to study the factors influencing the fund/scheme selection behavior of retail investors.

3. Data analysis and results

This analysis presents the relationship between the demographic variables and the investment avenue on the basis of age, gender, educational qualification, occupation, annual income, and place.

Table 1. The relationship between the socio-economic factors and investment avenues by applying Chi-square test

Investment avenues/ socio-economic factors		Post office	Mutual fund	Gold	Equity	Bank deposit	Real estate	Chi-square value	Table value 5%
Age (years)	15 to 30	17.1	15	22.3	23	18.3	25	83.58	18.31
	30 to 45	20	42.5	45.6	46	26.8	43.4		
	Over 45	62.9	42.5	32	31	54.9	31.6		
Gender	Male	42.4	40.5	36.9	40	37.8	44.1	35.24	11.07
	Female	57.6	59.5	63.1	60	62.2	55.9		
Educational qualification	Post graduate	10.6	19.6	29.1	19	7.9	19.1	79.72	31.41
	Professional	21.2	9.8	12.6	16	26.2	22.7		
	School level	28.8	21.6	27.7	27	20.1	19.5		
	Undergraduate	39.4	49	30.6	38	45.7	38.7		
Occupation	Business/Professional	38.8	29.4	39.8	31	17.1	27.3	76.74	31.41
	Government employee	37.1	35.9	35	49	49.4	36.7		
	Retired	3.5	14.4	4.9	2	7.3	9.4		
	Self employed	20.6	20.3	20.4	18	26.2	26.6		
Annual income (Rs)	Up to 2,00,000	12.9	20.3	22.3	21.0	29.9	20.7	33.86	18.31
	200,000 to 300,000	61.8	59.5	49	46	51.2	46.1		
	Above 300,000	25.3	20.3	28.6	33	18.9	33.2		
Place	Rural	22.4	22.9	29.1	40	31.1	22.3	15.51	11.07
	Urban	77.6	77.1	70.9	60	68.9	77.7		

Source: Primary data.

Burney and Khan (1992) examined various socio-economic and demographic factors as determinants of savings. The impact of income, earning status, occupation and age of household head on saving appeared to be positive but household income, dependency ratio, education, employment status, secondary earner and age were inversely related to savings of urban and rural households.

Less than 25% of the respondents are below the age group of 15-30 years and the rest are more than 30 years. This shows that the respondents who are capable of earning a fixed income were interested in the various investment avenues.

Female investors range from 56% to 63% and the rest were male investors. As India is women dominated society in investment perspective, this paved the way for India's approach towards the reforms to protect itself from disastrous implications of recession in 2008. The global economic meltdown has affected America, Europe and Japan which faced severe crisis of liquidity and credit. India was one of the luckiest countries that staged a smart recovery after this global financial crisis. This turnaround impressed the whole world. Conservative growth backed by prudent economic policies was the characteristic of India's steady recovery. The most modern investment destinations made higher economic growth rate possible for India. This is evident from this research that the Indian women are more savings minded and they take the full responsibility of investing their family savings in different avenues.

The level of education is thought to impact the person's ability to accept risk. Specifically, higher attained levels of education are felt to increase a person's ability to evaluate risk and are therefore considered to be positively related to higher financial risk tolerance (Baker and Haslem, 1974; Haliassos and Bertaut, 1995; Sung and Hanna, 1996).

Nearly 70% of the respondents are educated at the undergraduate and school levels. Remaining 30% is educated at the postgraduate and professionals. These respondents have a considerable exposure about the various avenues and they skip from one type from another type of investment. They have many innovative ideas about their investments and they are ready to change their investment pattern.

Less than 15% of the respondents are retired persons who opt for various investment avenues. It is so because they have fulfilled all their responsibilities in life and they also have proportionately reduced income at this level. Less than 25% of the respondents are self-employed and they do not invest much in all avenues selected for the study as they have profitable opportunities to invest their savings inside their own business.

The professionals, businessmen and the Government employees invest much in all avenues because of their present commitment in their life and also to avail tax benefits. Professionals and businessmen do not invest much in bank deposits and they invest in other avenues where capital appreciation is available. They expect a reasonable return and the appreciation in value for their investments.

Respondents having an maximum income of Rs. 200,000 have a tendency to maintain bank deposits and they do not want to invest in other avenues. This is so because they need to have liquidity to meet their emergencies. They are concerned about their present emergencies rather than future savings. Respondents who are in the income group of Rs. 200,000 to 300,000 are prone to savings mainly to avail tax benefits. Most of the respondents who earn more than Rs. 300,000 are interested in investing in real estate rather than in other avenues.

Nearly three fourth of the respondents are rural and they invest in post office, mutual fund, real estate and gold. Their investments in bank deposit and equity share are comparatively less. This is due to their awareness in investment avenues and the role of intermediaries like agents and brokers. They do not prefer equity share as they are risk averse and they plan life style for the future.

Saving is related to growth and economic development. There is a close link between household and national saving rates over time (Deaton, 1997). Solow (1956) has suggested that savings influence growth of economy, as higher savings lead to capital accumulation and hence economic growth.

By applying Chi-square test, it is evident from the above table that the socio-economic factors namely, age, gender, educational qualification, occupation, annual income and place of residence do not influence the type of investment avenues selected as the calculated value is higher than the table value.

Table 2. The ranking of personal factors of respondents towards investment avenues using weighted average method

No.	Personal factors	Weighted average	Rank
1	Age	3.000	1
2	Health	2.672	2
3	Responsibilities	2.670	3
4	Income	2.386	4
5	Personal liquidity	2.079	5
6	Attitude towards the risk	2.070	6
7	Personal taxation status	1.680	7

Source: Primary data.

Literature indicates that younger people have different attitudes toward financial decisions than elder

(Wallach and Kogan, 1961; McInish 1982; Morin and Suarez 1983; Palsson 1996). A study commissioned by a major national brokerage firm found that gender is the third most powerful determinant of investing, after age and income (Bajtelsmit and Bernasek, 1996).

Family plays a predominant role in the Indian culture. For generations, India has a tradition of joint family system with extended members like parents, children, the children's spouses and their offspring. The eldest male member is the head of the family and he is responsible for all decisions, which are followed by others. This is established from the above table that the respondents consider their age as the prime factor among the personal factors.

The family responsibilities include the investor's marital status and number of dependents in his family. Browning, Bourguignon, Andre Chiappori and Lechene (1994) found that the investment of the investor depends on his income and expenditure and the life stage of his dependents. Grable and Lytton (2001) review seventeen studies that use the Survey of Consumer Finances (SCF) risk tolerance measure and report that gender, marital status, wealth, education, ethnicity and age are related to risk tolerance.

Health is taken as the second factor because people have to take care of contingencies in health conditions of their own and family members. Following the age and health, responsibilities come as the third factor, which is clubbed with the family commitments. This clearly states that our Indian society is always built based on love and affection bound with generations.

Income stands as the fourth factor. This shows that irrespective of the level of income, the Indians give more importance to the family commitments.

Kelly and Williamson (1968) believe that education may have an important effect on expected future income and thus on present consumption. However, they manage to fulfill their family commitments though they don't maintain their personal liquidity. Many respondents are risk averse and they consider the risk bearing capacity as the sixth factor in the selection of the investment avenues. The least importance is given to taxation status because the Indians are very much concerned about the responsibilities towards their family and they are less inclined to tax planning.

Table 3. Review of investment plan by investors due to the personal problems faced in investment

Respondents situation for a review in their plan	Weighted average	Rank
Investment environment	2.15	4
Tax laws	2.70	1
Economic events	1.73	5
New product awareness	2.21	3
Major life events	2.27	2
Personal problems faced by respondents in investment		
Reduced cash flow	2.37	2
Less mobility	1.93	4
Complex calculation	2.31	3
Improper tax planning	2.57	1

Source: Primary data.

From the above table it is clear that tax laws play an important role in plan review of the respondents because tax laws act as a scope and periphery for the employed persons in terms of their tax planning.

Siegel and Montgomery (1995) consider the effects of taxes and inflation on the returns of major asset classes. They conclude that wealth-maximizing individuals should invest as much as they can and keep it invested so as to minimize the effects of taxes on their portfolio values. Linneman (1985) states the factors that influence the investment decision in real estate like impact of taxation on buying, transaction cost involved in acquiring the asset like stamp paper, registration cost and also the mood of the market like value appreciation burst.

Major life events like marriage, house construction, religious and cultural events influence the plan review as it affects the liquidity of the investment. The family responsibilities include the investor's marital status and the number of dependents in his family. Browning, Bourguignon, Chiappori and Lechene (1994) found that the investment of the investor depends on his income and expenditure of his dependents and the life stage of his dependents.

The availability of the various investment products and the introduction of the new products in the market influence the review of the plan as the third rank. The macro events, namely, investment environment and economic events play a minor role in influencing the plan review.

The respondents consider improper tax planning as a major factor as they lack awareness in tax planning and they have to get the help of the auditors and other agents in proper tax planning. Some of the respondents feel that they have a reduced cash flow in their superannuation period and this affects their investment planning at their old age. Reduced cash flow is also due to the continuous commitment in their families during their middle age. Complex calculations in tax planning are also another factor considered by the respondents as a major problem in their investment planning. Less mobility of funds due to the reduced cash flow also affects the investment planning by the respondents.

Table 4. Showing the ranking of financial objectives of respondents

No.	Financial objectives	Rank	% of respondents assigned the rank
1.	Repayment of debt	1	66.52
2.	Funding of education	2	60.13
3.	Comfortable retirement life	4	44.56
4.	Emergency health needs	3	51.6
5.	Entertainment	5	29.21
6.	Appreciation in value	7	22.6
7.	To offset inflation in future	6	25.37

Source: Primary data.

Theoretical models of family decision-making that highlight the role of the individual within the family have been developed. The process of decision in the family, the influence of others in investment, the preferences of the different members are taken into account (Rangel, Almeida, 2004). Conklin (1988) suggests that patterns of family life in India are similar among different castes and religions as well as in different regions. Elliott and Gray (2000) state that family obligations are usually subject to legislation. They are generally emotional and cultural expectations, albeit subject to a range of societal sanctions if they are not met. The strongest obligations are those of care-financial, physical and emotional – both for children and for ageing parents. Relationships that involve the highest level of interdependence are characterized by regular exchanges of economic support and/or physical care, sustained by a strong sense of duty, deference and respect. Financial support in itself is not an adequate indication of a high level of interdependence. In most cultures, family members give money to a wide range of kin, at different times and for different purposes.

Indian society is family oriented society with full of family commitments namely marriage expenses, savings for the educational expenses of the children, expenses for taking care of parents and savings for the older age. Indian culture is strict social hierarchy and children are reminded of their roles and places in the society from their early age. The responsibility and the accountability imparted on the generations in the society makes the respondents to have the repayment of the debt as the foremost financial objective. The subsequent objective is the education of the children followed by the comfortable and contended retirement life. Meeting of emergency in case of health problems for the family members is also considered to be the main objective. Entertainment, appreciation in value of the investment and the strategy formulated to offset the inflation in future are considered to be the least important factors than the factors discussed above. This again shows that Indian society is highly conservative and they want to be safe and secure throughout their life rather than securing speculative profits.

The gross domestic savings (% of GDP) in India was last reported at 31.53 in 2010, according to a World Bank report released in 2011. The gross domestic savings (% of GDP) in India was 31.26 in 2009, according to a World Bank report published in 2010. The gross domestic savings (% of GDP) in India was reported at 29.41 in 2008, according to a World Bank (Figure 1).

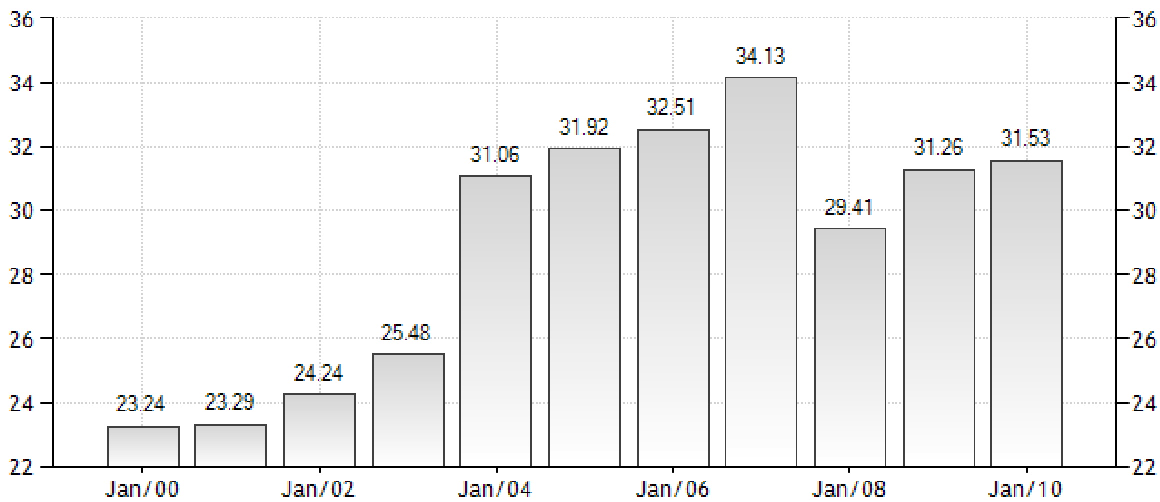

Fig. 1. Gross domestic savings (% of GDP) in India

Table 5. The ranking of financial product based on the product characteristics by the investors and financial experts

1. Preference based on the factor security of principal			2. Preference based on the liquidity factor		
Gold	1	Real estate	Gold	1	Gold
Real estate	2	Gold	Bank deposit	2	Bank deposit
Post office	3	Bank deposit	Equity	3	Real estate
Bank deposit	4	Post office	Real estate	4	Equity
Mutual fund	5	Equity	Mutual fund	5	Mutual fund
Equity	6	Mutual fund	Post office	6	Post office
3. Preference based on the stability of return factor			4. Preference based on the capital appreciation factor		
Bank deposit	1	Post office	Real estate	1	Gold
Post office	2	Bank deposit	Gold	2	Real estate
Real estate	3	Real estate	Equity	3	Equity
Equity	4	Mutual fund	Mutual fund	4	Mutual fund
Mutual fund	5	Equity	Bank deposit	5	Post office
Gold	6	Gold	Post office	6	Bank deposit
5. Preference based on the tax benefit factor			6. Preference based on the factor inflation resistant		
Post office (or) bank deposit	1	Post office	Real estate	1	Real estate
Post office (or) bank deposit	2	Bank deposit	Post office	2	Equity
Mutual fund or equity	3	Equity	Bank deposit	3	Mutual fund
Real estate (or) gold (or) mutual fund	4	Gold	Equity	4	Bank deposits
Real estate (or) gold (or) mutual fund	5	Mutual fund	Mutual fund	5	Post office
Real estate (or) gold (or) mutual fund	6	Real estate	Gold	6	Gold
7. Preference based on the factor conceal ability			8. Over all preference of investment avenue		
Real estate	1	Gold	Bank deposit	1	Post office
Gold	2	Post office	Post office	2	Bank deposit
Equity	3	Bank deposit	Real estate	3	Gold
Mutual fund	4	Real estate	Gold	4	Real estate
Bank deposit	5	Mutual fund	Mutual fund	5	Equity
Post office	6	Equity	Equity	6	Mutual fund

Source: Primary data.

In India, kinship obligations by blood are more important than obligations through marriage (Mullatti, 1992). The preferences made by the investors among six avenues and opinions of the experts are compared in the above table. The first column of the table shows the preferences of the investors and the third column shows the experts' opinions. The second column shows the rank given to the different avenues.

Gold is all weather investment. Gold is the most trusted investment avenue through generations. One can own it in good times, bad times, inflation, equity market crash and war times. Gold is the only medium of exchange that is completely free of credit risk. Throughout the history of mankind, gold has been not only a means of exchange, but also a store of value. It is an excellent hedge against inflation over the long term and protects earnings for the future. Modern investors can invest in gold in the traditional way, that is purchasing gold bullion in the form of bars or coins or they can trade in gold or gold futures electronically. It is a proven asset-diversifier that, when included in domestic portfolios, it reduces the overall risk of the portfolio.

As per the security of principal and liquidity are concerned, the investors prefer gold to have the first rank. They rank it as the second while considering the capital appreciation and concealability. They rank it as last when inflation resistant factor, stability of return and tax benefit are concerned. Overall, the respondents prefer gold as the fourth investment avenue. When liquidity, capital appreciation and concealability are concerned, the experts prefer gold as first rank. The experts rank the gold lastly when stability of return and inflation resistant factor are considered resembling the individual investors' opinion. Overall, the experts prefer gold as third investment avenue. Hence, the experts and the individual investors prefer gold comparatively in the same position.

According to Press Trust of India, New Delhi, India is ranked the fifth in the real estate market index as on September 16, 2010. The first four places are occupied by China, the US, the UK and Singapore. This growth can be attributed to favorable demographics, increasing purchasing power, existence of customer friendly banks & housing finance companies, professionalism in real estate and favorable reforms initiated by the government to attract global investors.

Investment in real estate has the potential of earning high returns. Real estate investments give returns in the form of rentals and capital appreciation. The interest paid on borrowing is tax deductible.

Real estate is considered as the first rank by the individual investors while considering capital appreciation inflation resistant factor and concealability are concerned. Security of principal, stability of return and liquidity are ranked as the second, the third and the fourth respectively. It is considered as least as far as the tax benefit is considered. Overall, the individual investors consider real estate as third investment avenue. The experts rank real estate as the first for security of principal and inflation resistant factor. The experts for capital appreciation rank it as second. They rank as third for stability of return and liquidity. Overall, the experts rank real estate as the fourth investment avenue. Hence, the experts and the individual investors prefer real estate moderately in the same position.

Bank deposits give a stable and fixed return on the invested money. Capital appreciation does not apply to bank deposits. Only the principal is returned back at the time of maturity ensuring the safety of principal. The interest rate risk is associated with the lost opportunity to invest in an instrument with a higher return. The highest risk is the effect of inflation making the money's worth declining in future. This forms a big burden on the part of the retired people who have invested their retirement proceeds to get a regular income. Convenience can be had in bank deposits as one can invest in any amount starting with the multiple of Rs. 100. The bank deposits also enjoy a good deal of liquidity as it can be closed at any time with a loss of 1% interest. The bank deposits are not tax efficient as the interest on deposits is taxed.

There are 5-year bank deposits that give tax benefit under section 80C of IT Act, but benefits regarding partial withdrawal or closure and loan facility are not available.

To avail tax benefit and to receive a stability of return, the investors prefer bank deposits as the first. For liquidity purpose, it is ranked as the second as it can be withdrawn if it demands deposit and premature if it is time deposit. This is followed by inflation resistant factor, security of principal and conceability. Overall, it is ranked as the first investment avenue. The experts rank bank deposits as the second when liquidity, stability of return and tax benefits are concerned. It is ranked as the third as far as security of principal and conceability are concerned. Overall the experts rank bank deposits as the second investment avenue. Thus, the experts and the individual investors prefer gold relatively in the same position.

Post office savings schemes are a low risk investment and no tax deducted at source. It is very popular because they yield a higher return than fixed deposits. This monthly income plan will suit all individuals including the retired persons both in rural and urban areas who are in need of regular and constant income. It is a safe investment to liquidate fully or partially at very short period notice where the reach of banks is very limited.

To gain tax benefits, post office investment is taken as an ideal investment for the investors. As far as security of principal, stability of return and inflation resistant factor are considered, the post office is ranked as the second. It is ranked as the last while liquidity, capital appreciation and concealability are considered. Overall, is ranked as the second investment avenue by the respondents. The experts consider first while considering tax benefit and stability of return. They rank it as the second as far as concealability is considered. For other factors namely, security of principal, liquidity, capital appreciation and inflation resistant factor, they consider in the following ranks. Overall, they are ranked as the first investment avenue by the experts. Therefore, the experts and the individual investors choose post office comparatively in the same place.

The return on investment and the capital appreciation for equity share is uncertain because it depends on the market condition. The liability of a shareholder is limited to the amount he has invested in the company. Investors enjoy an unlimited participation in the earnings of the firm. Simultaneously, there is a risk of less or no profitability for the company in which the share price goes down and dividend may not be paid out. Equity stocks are generally high liquid instruments, which can be bought and sold very easily in the stock markets.

As far as liquidity, capital appreciation, taxability and concealability are concerned the equity is ranked as the third by the investors. This is followed by the inflation resistant factor and stability of return. It is ranked as the last as far as the security of principal is concerned. Overall, the investors rank equity as the last investment avenue. The experts consider equity as the second rank when inflation resistant factor is considered. This is followed by capital appreciation and tax benefit. They are ranked as the fourth for liquidity. This is followed by security of principal, stability of return. The last rank is given to concealability. Overall, the experts rank equity as the fifth investment avenue. Hence, the experts and the individual investors prefer equity comparatively in the same position.

Using mutual funds can help an investor diversify their portfolio with a minimum investment. Risk is reduced as investment is made across a range of securities. It is highly convenient as it can be bought and sold easily and distribution options can be changed as and when needed. They are highly liquid as orders for buying and selling are placed during market hours. Changing market conditions can create fluctuations in the value of mutual fund investment.

The mutual fund is ranked in the last three ranks for all factors namely, security of principal, liquidity, stability of return, capital appreciation, tax benefit, inflation resistant and concealability are concerned. Overall, the respondents prefer gold as the fifth investment avenue.

Except inflation resistant factor, for the remaining factors, the experts rank mutual funds as one of the last three ranks. Overall, the experts prefer mutual fund as the sixth investment avenue. Hence, the experts and the individual investors prefer mutual fund moderately in the same position.

Conclusion

From the study it is clear that the respondents who are above the age of 30 years and capable of earning a fixed income were interested in the various avenues of investment. Nearly three-fifth of the respondents are female. This shows that Indian women are more savings minded and they take the full responsibility of investing their family savings in different avenues. Irrespective of the educational qualification, the respondents have a considerable exposure about the various avenues and they skip from one type from another type of investment. The retired persons opt for various investment avenues because they have fulfilled all their responsibilities in life and they also have proportionately reduced income at this level. Self-employed do not invest much in all avenues selected for the study as they have profitable opportunities to invest their savings inside their own business. The professionals, businessmen and the Government employees invest much in all avenues because of their present commitment in their life and also to avail tax benefits. Respondents having an maximum income of Rs. 200,000 need to have liquidity to meet their emergencies. Remaining is prone to savings mainly to avail tax benefits and interested in investing in real estate rather than in other avenues. Nearly three fourth of the respondents are rural and they invest in post office, mutual fund, real estate and gold. By applying Chi-square test, it is evident that the socio-economic factors namely, age, gender, educational qualification, occupation, annual income and place of residence do not influence the type of investment avenues selected by them. Family plays a predominant role in the Indian culture. The respondents consider their age as the prime factor among the personal factors. Health is taken as the second factor because the people have to take care of contingencies in health conditions of their own and family members. Following the age and health, responsibilities come as a third factor, which is clubbed with the family commitments. This shows that our Indian society is always built based on love and affection bound with generations. Income stands as a fourth factor as it is an added one for decision regarding the investments. This shows that irrespective of the level of income, the Indians give more importance to the family commitments.

Many respondents are risk averse and they consider the risk bearing capacity as the sixth factor in the selection of the investment avenues. The least importance is given to taxation status because the Indians are very much concerned about the responsibilities towards their family and they are less inclined to tax planning. Tax laws play an important role in plan review of the respondents because tax laws act as a scope and periphery for the employed persons in terms of their tax planning. Major life events like marriage, house construction, religious and cultural events influence the plan review as it affects the liquidity of the investment. The availability of the various investment products and the introduction of the new products in the market influence the review of the plan as a third rank. The macro events like investment environment and economic events play a minor role in influencing the plan review.

Regarding the problems faced by the respondents in investment, improper tax planning as a major factor as they lack awareness in tax planning and they have to get the help of the auditors and other agents in proper tax planning. Reduced cash flow is also due to the continuous commitment in their families during their middle age. Less mobility of funds due to the reduced cash flow also affects the investment planning by the respondents. The responsibility and the accountability imparted on the generations in the society makes the respondents to have the repayment of the debt as the foremost financial objective. The subsequent objective is the education of the children followed by the comfortable and contended retirement life. Meeting of emergency in case of health problems for the family members is also considered to be the main objective. This shows that Indian society is highly conservative and they want to be safe and secure throughout their life rather than securing speculative profits. Apart from looking at the lucrative promises on return, the investor should analyze the basic function, mechanism of the product and satisfy that the product has met the mandatory compliances. The investor should also self justify that his personal factors are weighed while investing in a financial product. It is also necessary for investors to know the risk associated with their investment avenue during the different phases of economic situation.

The preferences made by the investors among the six avenues and the opinion of the experts are compared. The avenues are ranked in their order of importance based on security of principal, liquidity, stability of return, capital appreciation, inflation resistant factor, tax benefit and concealability. The result shows that the experts and the individual investors prefer six investment avenues comparatively in the same position.

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