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**A Study of Factors Affecting the Choice of Investment Avenues by
Individual Investors in Bank and Insurance Sector**

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ABSTRACT

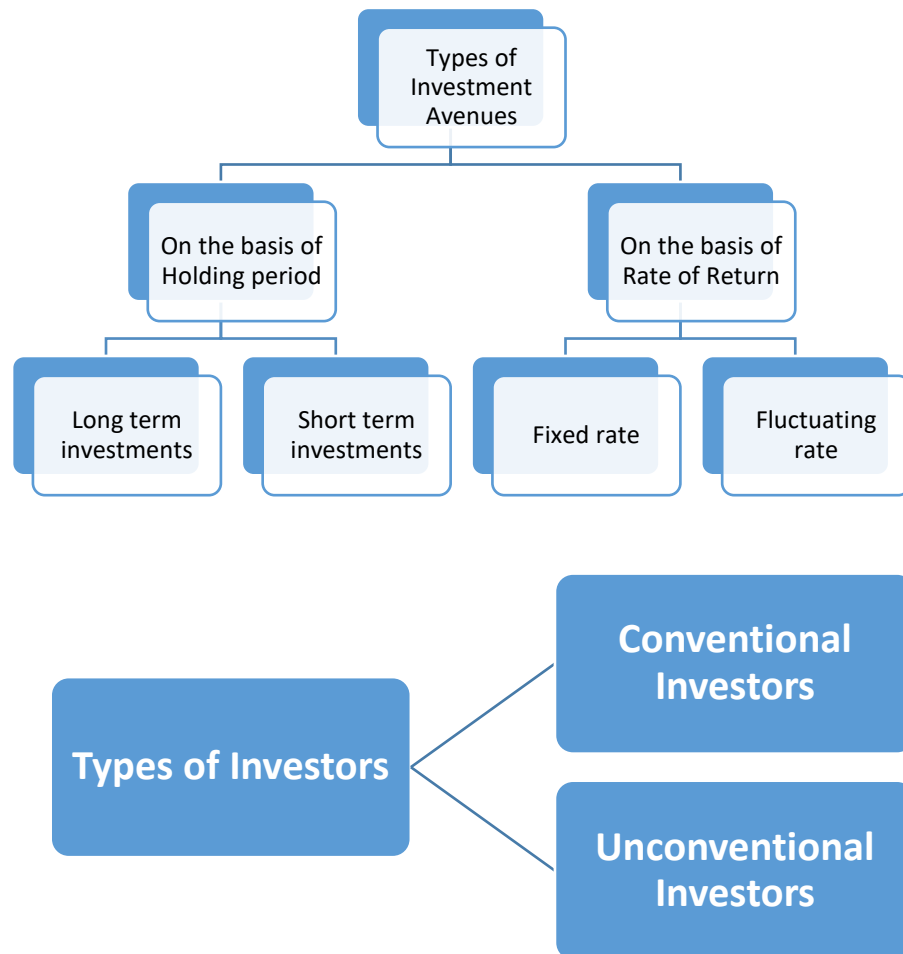
In last few decades, employing the savings theft from the income has become an active source of extra income for tax evasion. In this day and age numerous options are available to the investors to invest their savings and to have extra income. Investors choose the options according to their preference of risk, returns, liquidity, and safety. Few investors choose to invest in the conventional avenues whereas few act as players and go for the unconventional and the trendy ones. In the recent scenario, options like – Mutual Funds, Public Provident Funds, National Pension Schemes, Equity Shares, debentures etc. have become quite popular. This study attempts to find out the factors which affect the choice of investment options of the individual investors belonging to bank and insurance sectors. The paper tries to differentiate between the choices of investments opted by males and females.

Keywords: Investments, Investment Avenues, Income, and Investors.

INTRODUCTION

A successful investment depends upon the choice of avenue selected by the investor to invest the savings in. Every avenue and investment option has certain degree of risk related to it and varying rate of returns and duration of holding as well. On the basis of these investment avenues, investors can be categorized into various categories. The preferences and choices of investments by investors also depend upon their education, awareness, saving patterns and also income level. As the awareness and literacy about the financial market and investments is increasing, the investors are also diverting their choices. The most popular choices for investments in the past have been – Real estate, Gold, Bank deposits etc., but if present scenario of the market is studied it will be observed that the investors are now preferring to invest in the next generation avenues like – Shares, Debentures, Mutual Funds, Pension schemes etc. and on the basis of this investors can be categorized as Conventional Investors and Unconventional Investors.

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Conventional Investors

These are those investors who believe in investing in the conventional avenues of investments and hence, are also known as Traditional investors. They put their money in the most preferred, popular and age old forms of investments like – Gold, Real Estate, Bank Deposits etc. The choice of their investment is mostly induced by the factors like liquidity and safety. These investors are also categorized as non-players as they are not actively involved in the game of investments, instead they sit back and wait for their investments to mature and give good returns where holding period of their investments may vary.

Unconventional Investors

Unconventional investors are also known as Modern investors. They believe in putting their money in the alternative avenues of investments which can be characterized as dicey but comparatively trendy and fresh forms of investment avenues. These alternative avenues include – Shares (Equity and Preference), Debentures, Mutual Funds, Bonds, Pension Schemes etc. These are mostly considered as players as they generally prefer to take risk and actively participate in the game of investments.

OBJECTIVES

1. To study the demographic variables affecting the choice of investment avenues preferred by the individual investors of Bank and Insurance Sector.
2. To categorize investors as conventional or unconventional investors.
3. To examine the factors which affects the choice of investment avenues of individual investors
4. To find out the most common avenues preferred by the individual investors.
5. To study the impact of gender on choice of investment avenues opted by individual investors.
6. To examine the difference between the choices of investment avenues preferred by Bank and Insurance sector investors.

REVIEW OF LITERATURE

Investors' attitude and preferences keep changing with the amount of savings and risk involved in investing and hence they behave in conventional ways and prefer to invest in gold and bank deposits (Selvi, 2015), this attitude of investors was further explored (Reddy et al. 2015) and was found that savings and risk tolerance can change the investment avenues ideas. Advanced researches on preferences found that safety of principal amount, liquidity, income stability, income appreciation and easy transferability also play an important role in deciding the avenue or choosing an option for investment and therefore results in preferences like Shares, Banks, Companies, Gold and Silver, Real Estate, Life Insurance, Postal Savings (Jayasatha et al. 2014).

Investors at different level of income choose different avenues, which mostly depend upon the volume of savings. Various researches showed that preferred avenues or options for investing are – Corporate Securities, Gold, Real Estate, Shares, Debentures, Mutual Funds, Fixed Deposits etc, these choice making depend upon an important factor i.e. education and awareness of investors about these available options and also the objective of investment and savings. Recent researches on individual investors show that they invest keeping in mind their future benefits, they mostly are concerned with the safety of their investments instead of the high returns, these investors invest their money based on their education background and they mainly invest in purchasing home and long-term investment, they follow the criteria of safety and low risk (Shukla, 2016).

Investors belonging to Higher Income Group prefer to invest in avenues like – Equities (Mittal and Vyas, 2007), Real Estate, (Verma, 2008) and Stock (Srivastava, 2007). Middle income group Investors opt to invest in moderate investment avenues such as mutual funds, (Mittal and Vyas, 2007), and Bank FD (Verma, 2008). Whereas, investors with low income chooses low-risk investments like post office

deposits, (Mittal and Vyas, 2007), NSC (Verma, 2008), Post office savings and bank deposits (Srivastava, 2007).

On studying association between investment avenues and income level further, it has been found that income and the amount of income saved are significantly related whereas, income and objectives of savings are insignificantly related (Geetha et al. 2011) (Srinivasan,2006) . So the conclusion can be made from the above researches that investors, especially the individual investors belonging to salaried class invest to accomplish few goals i.e. their children's education, their marriage, and security after retirement and therefore consider bank deposits to be the safest option for the safety of their savings and meeting the uncertainties and unpredictable future (Sathiyamoorthy, 2015).

RESEARCH METHOD

The present study is based on primary data which is collected from 350 respondents of Bank and Insurance sector. 350 respondents include 175 from each sector i.e. 175 from banking sector and 175 from insurance sector. Respondents for the study have been selected using purposive sampling technique. The primary data is collected using a well-structured questionnaire prepared using five point likert scale. Questionnaire distributed to respondents included 18 statements. Secondary data from various sources is also used to have an enhanced understanding of the behaviour, pattern and choices preferred by individual investors. The study is analytical in nature and analysis is performed using various statistical tools and techniques like percentage, bar charts, factor analysis and ANOVA. SPSS 25 and MS EXCEL are used to achieve accurate results. 48 responses having poor quality, with missing or incomplete values were dropped to maintain the accuracy and quality of analysis.

RESULTS AND ANALYSIS

Results of the study are based on the analysis performed on the data collected from the respondents:

Distribution tables

Table 1: Distribution table of respondents by demographic variables

VARIABLE		No. Of Respondents	Percentage
Age Group	20-30 years	212	17.1%
	35-45 years	54	70.9%
	50-55 years	18	5.9%
	Above 60 years	20	6.4%
Gender	Male	204	68%

	Female	100	32%
Monthly Income	Rs. 10,000 – 20,000	46	15.2%
	Rs.25,000 to Rs.35,000	210	69%
	Rs.40,000 to Rs. 50,000	32	10.5%
	Above Rs. 50,000	16	5.3%
Education	UG	95	31.25%
	PG	194	66.77%
	Professional	15	4.93%
Marital status	Married	85	32.16%
	Unmarried	194	63.9%
	Divorced	12	3.94%

The above table indicates that 17.1% respondents belong to the age group of 20-30 years, while nearly 70.9% of the respondents belong to the age group of 35-45 years, nearly 5.9% of the respondents belong to the age group of 50-60 years & rest of the respondents (6.4%) belong to the age group of above 65 years. This shows that middle age i.e. 35-45 years respondents are active investors. As per the gender, the table shows that 685 of the investors are male and 32% are female.

According to monthly income of the respondents more than half of the respondents (69%) earn income between Rs.25,000 to Rs.35,000, nearly 15.2% of the working respondents earn income less than Rs. 10,000 – 20,000, nearly 10.5% of respondents earns income between Rs.40,000 to Rs. 50,000 and rest respondents (5.3%) earns monthly income more than Rs.50,000.

As far as the education is concerned, the table indicates that more than half of the respondents (66.77%) are post graduates, while nearly 98 respondents are under graduates which covers 31.25% of the total respondents and nearly 4.93% respondents are professionals.

The above table indicates that more than half of the respondents (63.9%) are married, while nearly 85 respondents are unmarried which covers 32.16% of the respondents, nearly 3.94% respondents are divorced.

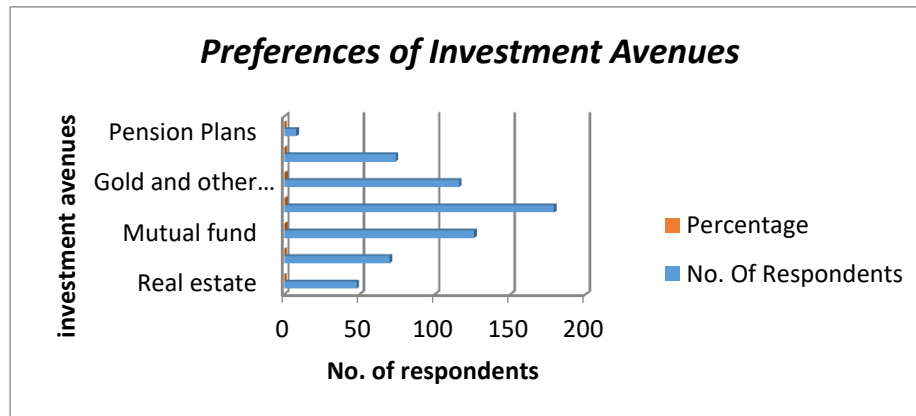
Table 2: Distribution of respondents by type of investment chosen

S.No	Type of investment	No. of Respondents	Percentage
1	Real estate	48	15.8%
2	Stock market	70	22.2%
3	Mutual fund	126	41.8%
4	Bank fixed deposit	179	58.9%
5	Gold and other precious metals	116	36.7%
6	Insurance products	74	24.7%
7	Pension Plans and others	8	2.4%

Inference

The above table shows that more than half of the investors (58.9%) prefer bank deposits for investments, 41.8% of investors choose mutual funds for investments, 36.7% investors choose gold and other precious metals for investment purpose, 24.7% of investors prefer to invest in insurance products, 22.2% of investors choose to invest in stock market, 15.8% of investors prefer real estate for investment and 2.4% investors prefer pension plan and other options to invest.

Figure 1: Preferences of Investment Avenues



The above graph indicates that majority of investors prefer to invest in traditional forms of investment avenues like Gold, Bank deposits and Real estate etc and hence can be categorized as Conventional investors, whereas very few investors prefer modern and alternative forms of investment avenues like stock market, Insurance and mutual fund etc and hence can be categorized as Unconventional investors.

Factor Analysis**Table 3: Reliability Test**

Reliability Statistics	
Cronbach's Alpha	N of Items
.818	18

To check the reliability of the data, reliability test was employed. The obtained value of cronbach alpha is .818, which is $> .60$, which indicates that the data is reliable.

Exploratory Factor Analysis

The exploratory factor analysis was employed using SPSS 25.0 to find out the factors which influence the choice of investment avenues opted by the investors. The items were subjected to Principal analysis (with Varimax Rotation). The factor loading represented the correlation between the items with the construct. In component analysis, only the factors having Eigen value greater than 1 were considered significant. A minimum value of 0.45 was used to indicate the loading of any factor.

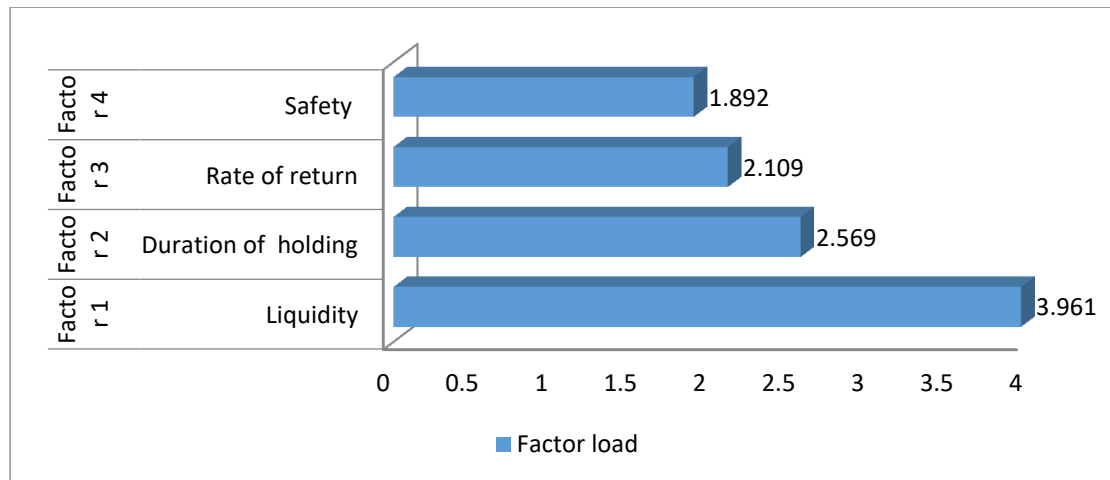
EFA was performed on 18 variables and these variables were reduced to 4 factors. The first factor has a factor load of 3.961 and is named as Liquidity, the second factor named as Duration of holding has a factor load of 2.596, third factor i.e. rate of return comprise of 2.109 as its factor load and lastly factor 4 Safety has a load of 1.892 .

Table 4: Factor Loading

S. No.	Name of the Factor	Factor load
Factor 1	Liquidity	3.961
Factor 2	Duration of holding	2.569
Factor 3	Rate of return	2.109
Factor 4	Safety	1.892

The above table shows that the most influencing factor which affects the choice of investment avenues while making investments is the *Liquidity*; investors are more interested in the avenues which provide substantial liquidity. The second most influencing factor is *Duration of Holding*, followed by *Rate of Return* and lastly the least influencing among all four factors is *Safety*.

Figure 2: Factor Loading



HYPOTHESES

H₀₁: There is no significant impact of gender on choice of investments preferred by the individual investors belonging to Bank and Insurance sector.

H₀₂: There is no significant impact of type of industry on choice of investments preferred by the individual investors.

To test the above hypotheses, ANOVA was applied. The results are as follows:

Table 5: Tests of Between-Subjects Effects

Dependent Variable:						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Gender	0.008	1	0.008	0.041	0.840	0.000
Type of Industry	3.727	1	3.727	0.000	0.989	0.000

Hypothesis 1: Null hypothesis stands accepted as the p value .840 > .05, which shows that there is no significant impact of gender on the choice of investment avenues preferred by the individual investors belonging to Bank and Insurance sector.

Hypothesis 2: Null hypothesis stands accepted as the p value .989 > .05, which shows that there is no significant impact of type of industry on the choice of investment avenues preferred by the individual investors.

Z - test

H₀₃: There is no significant difference between the choices of investment avenues preferred by Bank and Insurance sector investors.

Table 6: Z test

	<i>Bank</i>	<i>Insurance</i>
Mean	71.17218543	71.36601307
Known Variance	63.11682	65.14147
Observations	151	153
Hypothesized Mean Difference	0	
Z	-0.21101238	
P(Z<=z) one-tail	0.416438805	
z Critical one-tail	1.644853627	
P(Z<=z) two-tail	0.832877611	
z Critical two-tail	1.959963985	

Hypothesis 3: Null hypothesis stands accepted as the p value .832 > .05, which shows that there is no significant difference between the choice of investment avenues preferred by the individual investors of Banks.

FINDINGS OF THE STUDY

Following are the findings of the present study:

- i. Majority of active investors belong to the middle age group i.e. between 35 and 45 years.
- ii. More than half of the respondents who are actively investing belong to the income level of Rs. 25,000 to 35,000.
- iii. Majority of investors were found to be as conventional investors, who prefer to invest in traditional forms of investment avenues.
- iv. The major factors which affect the individual investors' choice of investment avenues are Liquidity, Duration of Holding and Rate of return, whereas safety was given less preference as a factor.
- v. The choices of investment avenues are not affected by the gender.
- vi. There is no difference in the choice of investment avenues and investment behaviour of individual investors belonging to Bank and Insurance sector.

SCOPE FOR FUTURE RESEARCH

Various other demographic variables can be studied. Same dimensions of research can be studied with reference to corporate investors.

CONCLUSION

Individual investors are affected by various factors while selecting options to invest in. the major player amongst all the factors is the liquidity. The most important requirement of any investor is the liquidity of the asset he or she is investing in. The reason behind this is that the investments are considered as a tool to overcome any kind of uncertainty or financial crisis, and hence investment options which can easily and quickly be converted into ready cash are preferred more by the investors.

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