



STUDY OF ATTITUDE OF MIDDLE INCOME INVESTORS TOWARDS INVESTMENT AVENUES



Gawade Nilesh Babasaheb

Assistant Professor, Department of Commerce,
Sant Dnyaneshwar Mahavidyalaya, Soegaon,
Dist : Aurangabad 431120, MS, India
Email : nileshgawade7@gmail.com

Abstract

Middle income investors happen to be core aspects of financial strengths of a country. They are responsible for rapid economic growth as they contribute in multiple ways. The contribution of middle income group from this point of view is essential. The middle income group investor should be garnered for collection of funds and development of investment.

What is the response and reaction of the middle income group is certainly mater of study and interest. The researcher has studied and has evaluated the attitude of middle Income Investors towards investments avenues.

Keywords : Investors, Investment Avenues, Middle income group

Research Paper

Introduction :

Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of an investment is that, it involves 'waiting' for rewards. It involves the commitment of resources which have been saving or put away from current consumption in the hope that some benefits will accrue in future. Investment has been categorized by financial experts and economists. It has also often been confused with the term speculation. It must be clearly established that investment involves long term commitment. Investing is a very exhaustive subject. It means different things to different people. At some point of time we all are investing in something. It may be relationships; it may be marriage or a career. Life is all about doing something to reap benefits in the future.

Objectives of the Study:

A. Present study is undertaken with following objectives:

1. To study investment attitude of middle income investors on following parameters :
 - a. Frequency. b. Volume. c. Approach. d. Growth philosophy
2. To Analyze modes of Investment adopted by respondent investors.
3. To understand the risk perceptions and risk aptitude of middle income investors.
4. To examine the general investment policy of middle income investors.

Hypotheses: -

For the purpose of studies hypothesis accepted by the researcher as follows:

1. Middle income investors have limited risk aptitude.
2. Middle income investors adopt a scientific approach to investments.

Methods of Data Collection:

The data will be collected middle income investors using questionnaires. The data so collected shall be properly analyzed by using various statistical techniques.

Sample Size:

Researcher is collected data from 100 investors belonging middle income investors for the purpose of study. The term middle income is defined for this study is income between Rs. 20,000/- per month to Rs.50, 000/- per month.

Concept of Investment:

Investment is the employment of funds with the aim of achieving additional income or growth in value. The essential quality of an investment is that, it involves 'waiting' for rewards. It involves the commitment of resources, which have been saving or put away from

current consumption in the hope that some benefits will accrue in future. Investment has been categorized by financial experts and economists. It has also often been confused with the term speculation. It must be clearly established that investment involves long term commitment.

Types of Investments:

In India, many types of investment media or channels are available for making investments. A sound investment program can be constructed if the investor familiarizes himself with the various alternatives investments available. Some investments are appropriate for one type of investor and another may be suitable to another person.

The ultimate objectives of the investor are to design of variety of investment that meets preference for risk and expected return. The investor will select the portfolio which will maximize his utility. Securities present a wide range of risk free investments to highly speculative shares and debentures. Form these board spectrum securities that maximize his utility. The investor, in other words, has an optimization problem. He has to choose the security which will maximize his expected return subject to certain consideration. The investment decision is to optimizing returns but risk taking capacity varies from investor to investor. For instance, one investor may face a situation when he requires extreme liquidity. He may also require safety of securities. Therefore he will have to choose a security with low returns. Another investor would not mind high risk because he does not have financial problems but he would like a high return. Such an investor can put his savings in growth shares as he is willing to accept risk. Another important consideration is the temperament and psychology of the investor. Some investors are temperamentally suited to take risks; there are others who are willing to invest in risky securities even if the return is high. One investor may prefer safe government bonds where as another may be willing to invest in blue chief equity shares of a company.

Many alternatives of investments exist. This can be put into different categories. The investment alternatives are given below :

I. Direct investment alternatives :

Cash, saving account, saving certificate, Government bonds, corporate bonds and debentures

II. Indirect investment alternatives :

Pension fund, Provident fund, Insurance fund, Investment companies, Unit trust of India, and Other funds

III. Variable principle securities :

Equity shares, Convertible debentures, Preference securities

IV. Non security investments :

Real estate, Mortgagees, Commodities, Arts, antiques and other variables

Direct and indirect investment :

In these alternatives have basically been categorized as direct and indirect investment alternatives. Direct investment are those where the individual makes his own choice and investment decision.

Indirect investment those are in which the individual has no direct hold on the amount he invest. He contributes his saving to certain organizations like Life Insurance Corporation or Unit Trust of India and other people's behalf. An individual also makes indirect investment for retirement benefits, in the form of provided funds and pensions, LIC, Investment company securities and Securities of Mutual Fund.

Fixed and variable principal securities :

Fixed principal investments are those, whose principal amount and the terminal value is known with certainty. Saving accounts have a fixed return. Saving certificates are quite recent such as national saving certificates and postal savings certificates. Government bonds, corporate bonds and debentures are sold having a fixed maturity value and fixed rate of income overtime.

The variable principal securities differ from fixed principal securities because their terminal values are not known with certainty. The price of preference shares is determined by demand and supply forces even though preference share holders have a fixed return.

Non-security investments:

Non-security investments differ from securities in other categories. Real estate may be ownership of a single home or include residential and commercial properties. The terminal value of real estate is uncertain but generally there is price appreciation, where as depreciation can be claimed in tax. Real estate is less liquid than corporate securities. Mortgages represent the financing of real estate.

Necessity of Investment:

Investments are both necessary and useful in the context of present-day conditions. Some factors that have made investment decisions increasingly necessary are as follows:

Long life expectancy:

Investment decisions have become significant as people retire between the age of 60 and 65. Also, the trend shows longer life expectancy. The earning of employment should be calculated in such a manner that a pension is put away as saving. Saving by them do not increase wealth, these must be invested in such a way that the principal and income will be adequate for greater number of years.

Taxation:

Taxation is one of crucial factors in any country which introduces an element of compulsion in a person's savings. There are various forms of saving outlet in our country in the form of investments which helps in bringing down the tax level.

Interest rates:

The level of interest rates is another aspect which is necessary for a sound investment plan. Interest rates vary between one investment and another. There may vary between risky and safe investments they may also differ due to different benefits schemes offered by the investments. A high rate interest may not be the only factor favouring the outlet for investment. He/she must maintain portfolio with high risk and high return as well as low risk and low return.

Inflation:

Every developing economy is phased with the problem of rising prices and inflationary trends. Rising prices, several problems coupled with a falling standard of living. The investor will try and search an outlet which will give him a high rate of return in the form of interest to cover any decrease due to inflation. Besides high rate of interest and safety of principles investors have to always bear in mind the taxation angle.

Income:

Investment decisions have assumed important due to the general increase in employment opportunities in India. The employment opportunities gave rise to increasing incomes. More income has increased a demand for investment in order to bring in more income above their regular income. The different avenues of investments can be selected to support their regular income.

Conclusion:

The study is related with analysis of investor's response to various investment options. The study is based on responses of 60 respondents from different income and occupation groups. Measures conclusions of the study are as follows:

The age group of respondent indicates that majority respondents are in the category of 25-40 years of the age. The age wise investors usually think of savings and setting long term

investment horizon. The occupation indicates that most of the investors have fixed income source from organize sectors.

In terms of income the respondent for in the income group of 30-40 thousand. This income wise investor shows his achievements approach. The main income group is 20-30 thousand. The educational background also indicates that most of the investors are well-educated and have adequate understanding of financial as well as economic matters.

Purpose and kind of investment considering the economic and income background of investors prefer to have low risk low return option is the first preference. Similarly, few investors prefer moderate risk moderate return. High risk high return is a preference of limited number of respondents.

REFERENCES

Indian Financial System by P. N. Varshney and D. K. Mittal

Stock to Riches by Parag Parikh

Investment Management by Preeti Singh

www.rbi.org

www.goole.com

www.wikipidia.com