

## **RETAIL INVESTORS' PERCEPTION AND ATTITUDE TOWARDS DIFFERENT INVESTMENT AVENUES: AN EMPIRICAL STUDY FROM COIMBATORE DISTRICT**

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### **Abstract**

The present study aimed to understand the retail investors' perception and attitude towards investing in different investment avenues. Simple random sampling method was adapted in this study to collect 150 samples from respondents located in Coimbatore city. The reliability of the data was analysed via Cronbach's Alpha and statistical tools such as factor analysis and chi square test was used to analyse the data. The study found that safety and children's education are the dominant reasons for the respondents to invest in different investment avenues. The respondents believed that investing in equity share and chit funds are at high risk and those two avenues are not in their preferred investments. Post office schemes, bank deposit and government securities are the mostly preferred investment avenues of investors from Coimbatore city. Demographic profile such as gender, age, education, marital status, number of family members and individual risk taking level are significantly associated with their investment decision.

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### **Keywords:**

Retail Investors;  
Investment Avenues;  
Securities;  
Capital Market;  
Risk and Return;

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## 1. Introduction

Investment in financial market is defined as the money sacrifices today with an aim to get additional income or capital appreciation in future. Hence it is also called as the reward for the waiting time for money. Investment in financial market is also considered as serious subject that have a major impact on one's life in future well-being. Numerous investment avenues are available in India as an option for the investors to choose according to their preference as well as to their risk taking level. Risk profile of the investor is classified under three categories such as risk seeker, risk neutral and risk averse. Risk seeker is kind of investors who are ready to take calculated risk, whereas risk averse investors are indifferent from risk taking with respect to any investment in financial market. Risk neutral investors places themselves in between risk seeker and risk averse investors. Similarly, investment avenues are also classified according to its risk exposure and expected return.

- Low risk investment avenues : Bank deposits, PPF, Government securities.
- Medium risk investment avenues : Mutual funds, Insurance, Bonds and Debentures
- High risk investment avenues : Equity shares, Commodities and Currencies.

Upon the mentioned classification, investment avenues are also classified according to its objectives such as savings, regular income, tax benefit, children's benefit, safety, etc. The return expected from each security may vary with respect to its risk associated as well as with its objectives of investment. In general, high risk profile investments are expected to give high return and the selection of securities may vary from investor to investor. Investors' perception and attitude towards different investment avenues is highly unpredictable and it varies from investor to investor. Numerous studies have been conducted to assess the investor's preference and attitude towards different investment avenues. Surprisingly, different result arises with respect to geographical location, demographic profile of the respondents and the economic stability of the country. Keeping this in mind, the present study aimed to assess the retail investors' perception and attitude towards different investment avenues with respect to Coimbatore city, Tamilnadu.

## **2. Statement of the problem**

In this dynamic business environment selling financial products is a tough task for the sales person and is becoming challenging on day to day. The difficulty is not only selling financial products, but also to make general public to aware about different securities, risk and return associated with it. People's interest towards bank deposit is started declining as the interest rate for the last ten years is continuing on down trend. This is the high time for the public to aware about different securities which may give more return than the bank deposit as well as more secured. Considering the need, the present study aimed to understand the retail investors' opinion and attitude towards different investment avenues pertaining to Coimbatore city.

## **3. Objectives of this study**

Considering the need and importance mentioned above, this study aimed to understand the investors' perception and attitude towards different investment avenues pertaining to Coimbatore city, Tamilnadu.

## **4. Review of Literature**

Several studies have been carried out considering the investors' perception and attitude towards different investment avenues grouped as equity shares, debt instruments, commodity products, government securities, bonds and debentures. (Malathy & Saranya, 2017) conducted a study to understand the factors influencing investors decision on investing in stock market and the outcome of the study revealed many influencing factors such as return of investments, risk, profitability, equity price, dividend, earnings, and opinion from the experts. However, (Sathiyavani, 2017) found that investors are influenced by factors such as risk, return and safety while investing in equity market. Few were also influenced by the organic growth as factor while investing in stock market. Two extreme perceptions toward investing in bank deposits and bonds & debentures was found in the study done by (Sowmya & Mounika Reddy, 2016) where the investors' interest towards investing in bank deposits was found to be higher than investing in bonds and debentures, (Manikandan, 2017). Next to bank deposit, investing in gold and silver are mostly preferred by the investors in Coimbatore city, (Parimalakanthi & Ashok Kumar, 2015)

Investors' reaction exclusively with respect to mutual fund was researched by (Karthikeyan, 2016), where the investors found to be satisfied with respect to rate of return, safety, tax benefit and liquidity. The outcome is supported by another study conducted by (Tamil Selvi, 2015). Investors' income, education level, occupation and gender were also considered as influencing factors while taking decision on investment in financial market, (Poorna Prabhat, Srivani, & Varalakshmi, 2016), (Anitha & Phani Bhargavi, 2014) and (Geetha & Vimala, 2014). Surprisingly, friends and family members are the influential persons for making investment decision in derivatives market, (Pallavi & Raju, 2014).

## **5. Research Methodology**

The data for the present study was composed through both primary and secondary data collection method. The primary data was collected via structured questionnaire framed to meet out the objective of this study. The secondary data such as financial product details, expected influential factors and other relevant details were collected from previous published researches which were accessed via Google Scholar, Ebsco Host, Pro Quest, Conference Proceeding, etc. Simple random sampling method was adapted in this study to collect 150 samples from respondents located in Coimbatore city. The reliability of the data collection was analysed via Cronbach's Alpha and statistical tools such as factor analysis and chi square test was used to analyse the data and to prepare the report.

## **6. Limitations of this study**

Though the study was carried out in a structured way, it has its own limitations as given below.

- The study was limited to Coimbatore city with 150 respondents and hence the result cannot be integrated to whole state/country or larger volume of investors.
- The investors were requested to give their opinion with respect to identified nine securities. For time constraint other securities are not listed and considered for this study.

## **7. Data Analysis and Interpretation**

### **7.1. Demographic profile of the respondents**

The demographic profile of the respondents was collected for the purpose of understanding their general profile as well as their risk taking level. The collected data were consolidated and presented herewith.

**Table 01: Frequency Distribution**

Parameter		Count	Percentage
Gender	Male	105	70.0
	Female	45	30.0
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Age	< 21 years	16	10.7
	21 to 25 years	25	16.7
	26 to 35 years	78	52.0
	> 35 years	30	20.0
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Annual Income	< 2,00,000	50	33.3
	2,00,000 to 3,00,000	30	20.0
	3,00,000 to 4,00,000	20	13.3
	> 4,00,000	50	33.3
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Education Qualification	UG Degree	35	23.3
	PG Degree	100	66.7
	PhD	15	10.0
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Marital Status	Married	85	56.7
	Unmarried	65	43.3
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Occupation	Private Employee	110	73.3
	Self Employed	14	9.3
	Government Employee	0	0.0
	Student	13	8.7

	Not applicable	13	8.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
No. of family members	< 3	35	23.3
	3 to 5	115	76.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
No. of earning members in your family	1	50	33.3
	2	75	50.0
	3	25	16.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Duration of investment preferred	< 6 months	10	6.7
	6 to 12 months	55	36.7
	12 to 24 months	40	26.7
	> 24 months	45	30.0
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Amount Invested	< 50,000	45	30.0
	50,000 to 1,00,000	60	40.0
	2,00,000 to 3,00,000	20	13.3
	> 3,00,000	25	16.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>
Risk taking level	Risk seeker	45	30.0
	Risk neutral	95	63.3
	Risk averse	10	6.7
	<b>Total</b>	<b>150</b>	<b>100.0</b>

The data from the above table indicates that 70% of the respondents are male and most of the respondents are in the age group between 26 to 35 years; 52% of the respondents. Around 66.6% of the respondents are having an annual income of either less than INR.2,00,000 or more than INR.4,00,000. Around 66.7% of the respondents have completed PG degree and 56.7% of the respondents are married. Surprisingly none of the respondents are working in government agencies. Most of them are working in private companies; 73.3% of the respondents. Almost 83.3% of the respondents are having 1 or 2 members as earning members in their family.

However, 93.3% of the respondents are either risk seekers or risk neutral kind of people. Only 6.7% of the respondents are risk averse investors.

## 7.2. Reliability analysis

In order to understand the internal consistency of items or questions mentioned in the questionnaire framed for this study, reliability test was applied on 33 variables which had a five point likert scale. Cronbach's Alpha was used to test the reliability level of the questions and the outcome of the test is presented below.

**Table 02: Reliability Analysis**

Cronbach's Alpha	N of Items
0.905	33

The data from above table confirms good level of internal consistency with respect to questions used in this research study. The value of Cronbach's Alpha shows above the standard value of 0.6 which indicates the high level of reliability of data collected.

## 7.3. Descriptive statistics

The collected data was analysed using descriptive statistics and presented below.

**Table 03: Objectives of investment**

	N	Minimum	Maximum	Mean	Std. Deviation
Savings for old age	150	1.00	5.00	2.4267	1.25504
Regular income	150	1.00	5.00	2.2800	1.25917
Tax savings	150	1.00	5.00	2.2667	0.93167
Capital appreciation	150	1.00	3.00	2.1667	0.78078
Children's education / marriage	150	1.00	4.00	1.8333	0.86247
Safety	150	1.00	4.00	1.5333	0.72043

The above table indicates the descriptive statistics pertaining to the objectives of investments by the respondents of Coimbatore city. Among 6 options mentioned in this study, more number of

respondents opted safety as their highest priority pertaining to objectives of investment followed by children's education or marriage. On the other hand least importance was given on savings for old age.

**Table 04: Investors' perception with respect to risk involved in investment**

	N	Minimum	Maximum	Mean	Std. Deviation
Equity	150	1.00	5.00	1.9667	1.05179
Mutual Fund	150	1.00	4.00	2.3333	0.79145
Bank Deposit	150	1.00	5.00	3.2333	1.14936
Government Security	150	1.00	5.00	3.0333	1.22839
Company Bond / Debenture	150	1.00	5.00	2.4000	0.95538
Post office schemes	150	1.00	5.00	3.1000	1.10975
Provident Fund	150	1.00	5.00	3.2667	1.00112
Insurance	150	1.00	5.00	2.8667	0.99439
Chit funds	150	1.00	5.00	1.6333	0.95127

The above table indicates the descriptive statistics pertaining to the investors' perception about risk involved with respect to various investment avenues. It is understood that least mean value was found in Chit funds which indicates the highest level of risk involved followed by investment in equity shares. It is also noted that the high mean values were found in PF, Bank deposit, Post office schemes and government securities which indicates the investors' perception as riskless investments.

**Table 05: Investors' preferred investment avenues**

	N	Minimum	Maximum	Mean	Std. Deviation
Equity	150	1.00	5.00	2.9000	1.27837
Mutual Fund	150	1.00	5.00	2.6667	1.13910
Bank Deposit	150	1.00	3.00	1.7333	0.77431



Government Security	150	1.00	4.00	2.1667	1.07076
Company Bond	150	1.00	5.00	2.8000	1.14106
Debenture	150	1.00	5.00	1.9000	1.01499
Post office schemes	150	1.00	5.00	2.0667	1.12725
Provident Fund	150	1.00	5.00	2.3333	1.13910
Insurance	150	1.00	5.00	3.1333	1.20773
Chit funds	150	1.00	5.00		

The above table indicates the descriptive statistics pertaining to investors' preference with respect to various investment avenues. From the lowest mean value it is understood that the highest preference was given on bank deposit followed by post office schemes. Contrary to that lowest preference was given on chit funds followed by equity investments and investment in company bonds and debentures.

#### 7.4. Association between the variables

In order to understand the investors' perception and attitude towards different investment avenues, the association between different variables with respect to demographic profile was analysed using Chi-Square test and the results are presented herewith.

**Table 06: Association between objectives of investments and respondents demographic profile [Gender, Age and Education]**

Objectives of Investments	Pearson Chi-Square Value		
	Gender vs Objectives of Investment	Age vs Objectives of Investment	Education vs Objectives of Investment
Savings for old age	11.890*	48.909**	23.771**
Regular income	2.099	46.462**	9.648
Tax savings	5.612	18.333	18.633**
Capital appreciation	1.809	26.689**	30.365**
Children's education / marriage	4.701	26.008*	17.766**
Safety	13.000**	29.270*	49.626**

\*Significant @ 95% LOS

\*\*Significant @ 99% LOS

The above table indicates the outcome of Chi-Square test conducted between objectives of investment and the demographic profile of the respondents such as gender, age and education qualification. Among the six objectives of investments mentioned in this study, significant association was observed between gender and objectives of investment with respect to savings for old age and safety. The respondents' age has significantly associated with all the objectives of investment except tax saving. Similarly, education qualification of the respondents has significantly associated with all objectives of investment except investment which gives regular income.

**Table 07: Association between investment avenues and respondents demographic profile [Gender, Age and Education]**

Investment Avenues	Pearson Chi-Square Value		
	Gender vs Preferred Investment Avenues	Age vs Preferred Investment Avenues	Education vs Preferred Investment Avenues
Equity	22.778**	36.796**	44.002**
Mutual Fund	30.456**	33.573**	38.237**
Bank Deposit	28.571**	11.006	13.776**
Government Security	1.538	50.629**	23.130**
Company Bond / Debenture	28.878**	51.059**	45.636**
Post office schemes	34.982**	26.584*	33.275**
Provident Fund	14.550**	64.407**	52.657**
Insurance	44.741**	40.703**	63.912**
Chit funds	10.073*	38.191**	44.519**

\*Significant @ 95% LOS

\*\*Significant @ 99% LOS

The above table indicates the outcome of Chi-Square test conducted between investment avenues and the demographic profile of the respondents such as gender, age and education qualification.

Among the nine investment avenues identified for this study, significant association was observed between gender and all types of investment avenues except government security as an investment. The respondents' age has significantly associated with all investment avenues except bank deposit. However, education qualification of the respondents has significantly associated with all investment avenues at 99% level of significance.

**Table 08: Association between investment avenues and respondents marital status, number of family members and risk raking level**

Investment Avenues	Pearson Chi-Square Value		
	Marital Status vs Preferred Investment Avenues	No. of family members vs Preferred Investment Avenues	Risk taking level vs Preferred Investment Avenues
Equity	11.538**	13.31*	33.734**
Mutual Fund	7.381	9.666*	51.864**
Bank Deposit	21.719**	23.425**	3.166
Government Security	11.466**	14.786**	31.773**
Company Bond / Debenture	25.210**	26.447**	19.712*
Post office schemes	5.486	10.463*	40.013**
Provident Fund	14.480**	27.484**	45.519**
Insurance	6.957	23.005**	31.216**
Chit funds	16.374**	7.238	71.943**

\*Significant @ 95% LOS

\*\*Significant @ 99% LOS

The above table indicates the outcome of Chi-Square test conducted between investment avenues and the respondents' profile such as marital status, number of family members and risk taking level. Among the nine investment avenues identified for this study, significant association was

observed between marital status and all types of investment avenues except mutual fund, post office schemes and insurance as investments. Number of family members in respondents' house has significantly associated with all investment avenues except chit funds. However, risk taking level of the respondents has significantly associated with all investment avenues except bank deposit.

**Table 09: Association between expected return and respondents' demographic profile [Gender, Age and Education]**

Investment Avenues	Pearson Chi-Square Value		
	Gender vs Return expected	Age vs Return expected	Education vs Return expected
Equity	8.163*	16.270	17.837**
Mutual Fund	4.412	15.172	24.674**
Bank Deposit	22.222**	40.389**	32.607**
Government Security	11.631**	22.453*	32.069**
Company Bond / Debenture	29.631**	32.499**	48.423**
Post office schemes	29.960**	46.372**	29.345**
Provident Fund	20.106**	19.774	45.175**
Insurance	11.111*	29.349**	68.357**
Chit funds	7.143	44.206**	15.513*

\*Significant @ 95% LOS

\*\*Significant @ 99% LOS

The above table indicates the outcome of Chi-Square test conducted between return expected from different investment avenues and the respondents' profile such as gender, age and education qualification. Among the nine investment avenues identified for this study, significant association was observed between gender of the respondents and the return expected from all types of investment avenues except mutual fund and chit funds. Age group of the respondents

has significantly associated with the return expected from all investment avenues except equity, mutual fund and provident fund. However, education qualification of the respondents has significantly associated with the return expected from investment avenues identified for this study.

**Table 10: Association between return expected and respondents' marital status and number of family members**

Investment Avenues	Pearson Chi-Square Value	
	Marital status vs Return expected	No. of family members vs Return expected
Equity	19.392**	25.421**
Mutual Fund	10.860*	31.553**
Bank Deposit	2.715	24.224**
Government Security	12.127**	12.245**
Company Bond / Debenture	10.551	21.728**
Post office schemes	20.153**	40.140**
Provident Fund	20.928**	14.286**
Insurance	24.479**	68.012**
Chit funds	27.202**	11.995**

\*Significant @ 95% LOS

\*\*Significant @ 99% LOS

The above table indicates the outcome of Chi-Square test conducted between return expected from different investment avenues and the respondents' marital status and number of family members. Among nine investment avenues mentioned in this study, significant association was observed between marital status and return expected form different investment avenues except bank deposit and company bonds / debentures. Number of family members has significantly associated with the return expected from all investment avenues at 99% level of significance.

### 7.5. Factor Analysis

In order to grouping the investors' preference towards different avenues, factor analysis was performed and the result is presented below.

**Table 11: Communalities**

	Initial	Extraction
Equity	1.000	0.801
Mutual Fund	1.000	0.845
Bank Deposit	1.000	0.811
Government Security	1.000	0.730
Company Bond / Debenture	1.000	0.677
Post office schemes	1.000	0.724
Provident Fund	1.000	0.520
Insurance	1.000	0.728
Chit funds	1.000	0.787

Extraction Method: Principal Component Analysis.

**Table 12: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.781	42.015	42.015	3.781	42.015	42.015
2	1.695	18.836	60.851	1.695	18.836	60.851
3	1.146	12.730	73.581	1.146	12.730	73.581
4	.712	7.911	81.492			
5	.591	6.570	88.061			
6	.414	4.602	92.663			
7	.323	3.592	96.255			
8	.200	2.223	98.478			
9	.137	1.522	100.000			

Extraction Method: Principal Component Analysis.

**Table 13: Component Matrix<sup>a</sup>**

	Component		
	1	2	3
Equity	0.584	-0.580	0.351
Mutual Fund	0.640	-0.602	0.271
Bank Deposit	0.384	0.525	0.623
Government Security	0.756	0.391	0.075
Company Bond / Debenture	0.799	-0.045	-0.193
Post office schemes	0.438	0.713	-0.152
Provident Fund	0.703	0.161	-0.002
Insurance	0.841	-0.102	-0.100
Chit funds	0.530	-0.144	-0.696

Extraction Method: Principal Component Analysis.

a. 3 components extracted.

**Table 14: Exploratory Factor Analysis**

Dimension / Factor	Eigen Value	Percentage of Variance	Cumulative Percentage	Variables
Factor 1	3.781	42.015	42.015	<ul style="list-style-type: none"> <li>• Equity</li> <li>• Mutual Fund</li> <li>• Government Security</li> <li>• Company Bond / Debenture</li> <li>• Provident Fund</li> <li>• Insurance</li> <li>• Chit funds</li> </ul>
Factor 2	1.695	18.836	60.581	<ul style="list-style-type: none"> <li>• Post office schemes</li> </ul>
Factor 3	1.146	12.730	73.581	<ul style="list-style-type: none"> <li>• Bank Deposit</li> </ul>

From the above table titled total variance explained, it is understood that available nine investment avenues have been tapered down to three dimensions which has the eigen values

greater than 1. The three dimensions namely Factor 1, Factor 2 and Factor 3 have cumulative variance of 73.581%. Component 1 has high factor loadings with respect to Equity, Mutual fund, Government Securities, Company Bonds/Debentures, Provident fund, Insurance and Chit funds. Component 2 has high factor loading with respect to Post office schemes and Component 3 has high factor loading with respect to Bank deposit.

## 8. Conclusion

From the detailed analysis the study exhibits that factors like safety and children's education or marriage are the dominant reasons for the respondents to invest in different investment avenues. The respondents believed that investing in equity share and chit funds are at high risk and those two avenues are not in their preferred investment avenues. Post office schemes, bank deposit and government securities are the mostly preferred investment avenues of investors from Coimbatore city. Demographic profile such as gender, age, education, marital status, number of family members and individual risk taking level are significantly associated with respect to their investment decision. Thus the study concludes that respondents from Coimbatore city are more interested in riskless and safe investment avenues such as bank deposits, post office schemes and government securities. They shows less interest in investing in equity shares and company's bonds and debentures, as they believe those investments are risky investments.

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