

## A STUDY ON INVESTORS' PREFERENCES TOWARDS LONG TERM INVESTMENT AVENUES IN SALCETE TALUKA

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### ABSTRACT

Investment is one of the major issues of the investors as their savings of today are to meet their expenses of tomorrow. There are number of investment avenues that an investor can choose from based on their risk-return profile. Out of the available choices for investment, one must select the most appropriate and the best one for the purpose of attaining one's investment objective. This study examines the investment preferences of the investors towards different investment avenues in the Salcete Taluka. The objectives of the study are to analyze the level of investors' awareness towards various long term investment avenues and to examine their investment preferences and finally to identify the factors influencing investor awareness and preferences. The data was collected through a close-ended questionnaire and analysed using Percentages, Cross tabulation, Chi-square Test and Graphs. The results of the study indicated that majority of the respondents prefer investing in avenues that will provide them safety, high returns and low risk.

**Keywords:** investment avenues; risk-return profile; investment preferences; investor awareness; factors

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### 1. INTRODUCTION

Indian investor's behavior has been changing considerably in the modern era in terms of investment preferences in selecting and

analyzing various investment avenues. Investors start saving for a secure life and a bright future. There are various long term investment avenues available for the investors to park their savings such as Equity, Debentures and bonds, Bank deposits, Insurance, Real Estate, Commodities, Mutual funds etc. Each of the investment avenues provide a range of benefits and varying options with respect to returns, exposure to risk, duration of the contract, fees etc. The investor has to opt for suitable investment avenues depending upon investor's specific need, risk and returns expected. Due to this increased complexity of investment options, investors find it difficult to take investment decisions. Hence it is very important that investors should be aware of risk and returns associated with various investment avenues.

of Malda Town, West Bengal and concluded that the people of Malda town are mostly aware about LIC, PPF, bank deposits and post office saving schemes and are not very much aware about stock market, equity, bond and debentures.

Shukla (2016) examined salaried investors' preferences towards investment avenues in North Gujarat Region. She found that investors tend to invest more in fixed deposits, post office schemes, gold and silver for wealth accumulation and financial responsibilities. It was also observed that friends, relatives and financial advisors influence the investor's preferences over investment.

Venkataiah and Rao (2018) made an attempt to evaluate investors' perception towards various investment avenues in Vijayawada, Andhra Pradesh. They concluded that the investors preferred capital appreciation and earnings on both short term and long term investments made by them.

## 2. REVIEW OF LITERATURE

Chaturvedi and Khare (2012) analyzed saving pattern and investment preferences of individual households in India. They found that most investors prefer bank deposits followed by small saving schemes and life insurance policies, whereas capital market securities such as corporate debt securities, equity shares, preference shares etc. are least popular among them. With regard to the saving pattern, it was concluded that the most of the respondents save between 10-30 percent of the annual income.

Dubey and Sharma (2018) evaluated Investor's preferences towards Savings & Investment and found that investors prefer bank deposits for purchasing home and long-term growth.

Geetha and Ramesh (2011) investigated People's Preferences towards Investment. They concluded that various demographic factors such as gender, age, income level, occupation and savings have a significant impact on the investor while choosing a suitable investment avenue.

Panda (2018) examined investment behaviour of the people

## 3. OBJECTIVES OF THE STUDY

- i) To examine the level of investor's awareness towards various long term investment avenues.
- ii) To evaluate the factors influencing investment behavior of the investors.
- iii) To examine the investment preferences of the investors.

## 4. RESEARCH METHODOLOGY

Any research has to be validated based on the systematic collection of data and analyzing the same. For this study, survey method was adopted to collect the primary information from the respondents using a close-ended questionnaire. The data was collected on the basis of Convenience Sampling technique from 150 respondents across Salcete, Goa. The secondary data was collected by referring to various journals, research articles and websites. The collected data

was analyzed with Percentage, Cross tabulation, Chi-square Test and Graphs.

The following are the Hypotheses of the study:

- H<sub>0</sub>: There is no significant association between Occupation and Factors influencing Investment Behaviour  
 H<sub>1</sub>: There is significant association between Occupation and Factors influencing Investment Behaviour  
 H<sub>0</sub>: There is no significant association between Occupation and Preferred Investment Avenue  
 H<sub>2</sub>: There is significant association between Occupation and Preferred Investment Avenue

## 5. LIMITATIONS OF THE STUDY

- i) The study was restricted only to Salcete Taluka.
- ii) The study was restricted only to long term investment avenues thereby ignoring the short term investment avenues.
- iii) The study was limited to 150 respondents only.
- iv) The study was based on the data given by the respondents and there was no way of checking its accuracy.

## 6. FINDINGS AND ANALYSIS

### 6.1. DEMOGRAPHIC PROFILE

Table 1: Demographic Profile of the Respondents

Variable	Description	Frequency	Percentage (%)
Gender	Male	52	35
	Female	98	65
Age Group	Below 20	30	20
	20 - 40	62	41
	40 - 60	51	34
	Above 60	7	5

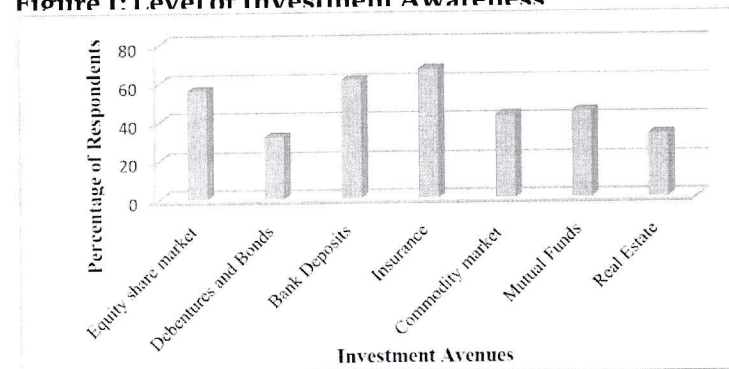
Occupation	Salaried	63	42
	Business	18	12
	Professional	11	7
	Others	58	39
Income level	Below 2 lakhs	79	53
	2 - 4 lakhs	52	35
	4 - 6 lakhs	13	9
	Above 6 lakhs	6	4

Source: Primary Data

Table 1 depicts the Demographic Profile of the Respondents. It is observed that 65 per cent of the respondents were female respondents while the remaining were males. 41 per cent of the respondents were in the category of 20-40 years and 34 per cent of the respondents belong to 40-60 years category. Out of the total respondents, 42 per cent are salaried, while 12 per cent are having a business of their own. 53 per cent of the respondents have income below 2 lakhs, while 35 percent belong to 2 - 4 lakhs category.

### 6.2. LEVEL OF INVESTMENT AWARENESS

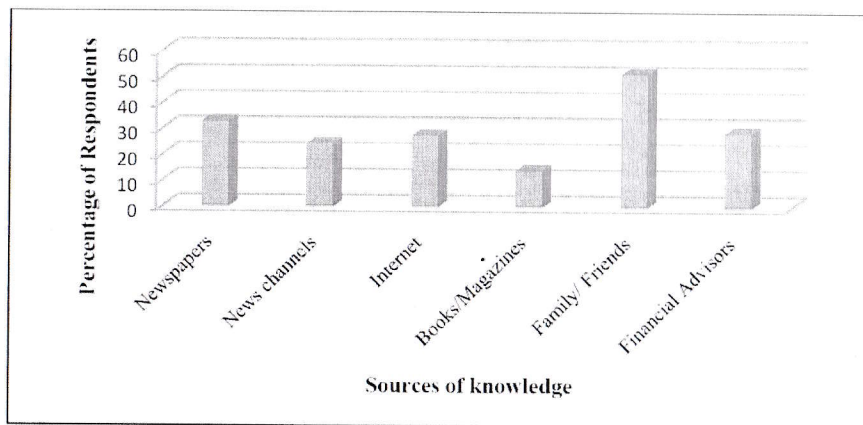
Figure 1: Level of Investment Awareness



Source: Primary Data

Figure 1 shows the awareness level of respondents with regard to various investments avenues. Around 67 per cent of the respondents were aware of the insurance as it provides safety as well as risk cover. Out of the total respondents, 60 per cent were aware of the Bank deposits since it is considered safest investment avenue while minority of the respondents were aware of real estate, debentures and bonds.

**Figure 2: Source of Knowledge by the Respondents**

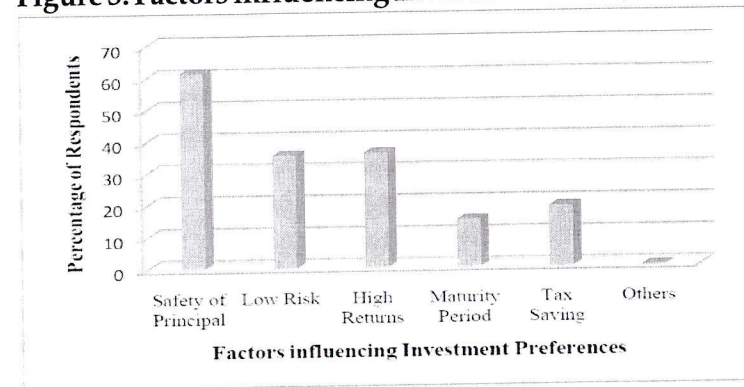


Source: Primary Data

As it appears in the Figure 2, 51 per cent being the majority of the respondents have gained knowledge about investment avenues from their family and friends. 33 per cent of respondents were of the opinion that newspapers are a great source of gaining knowledge on various investment avenues whereas least respondents obtained knowledge from the books and magazines.

### 6.3. FACTORS INFLUENCING INVESTMENT BEHAVIOUR

**Figure 3: Factors influencing Investment Behaviour**



Source: Primary Data

The various factors influencing investment behaviour of the respondents such as safety of principal, low risk, high returns, maturity period and tax saving are shown in the above graph. It is observed that majority of the respondents i.e. 60 per cent consider safety of principal as they are risk averse and do not want to lose the principal amount in case on uncertainties in the market. Around 36 per cent of the respondents consider high returns while only 15 per cent of the respondents consider maturity period before investing.

**Table 2: Association between Occupation and Factors influencing Investment Behaviour**

Factors influencing Investment Behaviour	Occupation			
	Salaried	Business	Professional	Others
Safety of Principal	58	30	30	11
Low Risk	18	0	16	9
High Returns	9	3	5	0
Maturity Period	8	3	6	1
Tax Saving	1	0	17	17
Others	11	6	7	0

Source: Primary Data

The Chi-Square Test was used to test the association between Occupation and Factors influencing Investment Behaviour.

The following Hypothesis is used to test the association between Occupation and Factors influencing Investment Behaviour:

$H_0$ : There is no significant association between Occupation and Factors influencing Investment Behaviour

$H_1$ : There is significant association between Occupation and Factors influencing Investment Behaviour

**Table 3: Chi-Square Test for testing the Association between Occupation and Factors influencing Investment Behaviour**

Chi-Square Value	Degrees of Freedom	Table Value @5% level of significance	Result
5.742	15	24.996	Not significant

Source: Primary Data

The Chi-Square Value of 5.742 is less than the Value of 24.996 in Table 3; there is no sufficient evidence to accept alternate hypothesis. Hence the association between Occupation and Factors influencing Investment Behaviour is not significant.

#### 6.4. INVESTMENT PREFERENCES OF THE INVESTORS

**Table 4: Association between Occupation and Preferred Investment Avenue**

Preferred Investment Avenue	Occupation			
	Salaried	Business	Professional	Others
Equity share market	17	5	45	49
Debentures and Bonds	12	16	4	0
Bank Deposits	4	2	15	16
Insurance	3	9	6	0
Commodity market (gold/silver)	2	0	8	5
Mutual Funds	1	1	0	0
Real Estate	2	4	23	12
Others	6	9	12	0

Source: Primary Data

The results depicted in Table 5 have been derived by conducting a chi-square test from the data in Table 4.

The Chi-Square Test was used to test the association between Occupation and Preferred Investment Avenue.

The following Hypothesis is used to test the association between Occupation and Preferred Investment Avenue:

$H_0$ : There is no significant association between Occupation and Preferred Investment Avenue

$H_1$ : There is significant association between Occupation and Preferred Investment Avenue

**Table 5: Chi-Square Test for testing the Association between Occupation and Preferred Investment Avenue**

Chi-Square Value	Degrees of Freedom	Table Value @5% level of significance	Result
29.358	21	23.67	Significant

Source: Primary Data

The Chi-Square Value of 29.358 is more than the Value of 23.67 seen in Table 5; so the Null Hypothesis  $H_0$  is rejected and Alternative Hypothesis  $H_2$  is accepted. Hence the association between Occupation and Preferred Investment Avenue is significant as occupation of the investors paves the way and induces the investment pattern of the investors.

**Table 6: Investment Preferences in terms of Period, Term and Expected Return of Investment**

Variable	Description	Frequency	Percentage (%)
Period of Investment	1 - 2 years	16	11
	2 - 5 years	93	62
	5 - 8 years	21	14
	8 - 10 years	20	13

Term of Investment	Short Term	49	33
	Long Term	96	64
	Both	5	3
Expected Return on Investment	0 - 20 %	37	25
	20 - 40 %	48	32
	40 - 60 %	40	27
	60 - 80 %	25	17

Source: Primary Data

Table 6 depicts Investment Preferences in terms of Period, Term and Expected Return of Investment. Majority of the respondents being 62 per cent preferred investing for 2-5 years, while minority being 11 per cent preferred to invest for 1-2 years. Most of the respondents i.e. 64 per cent would prefer to invest for a long term, whereas 33 per cent of the respondents are interested to invest for a short term. With respect to expected return on investment, 32 per cent of the respondents expect 20-40 per cent of return on investment.

## 7. CONCLUSION

Investment Avenues have the ability to gain small amounts of money over a longer period of time. The slow but steady pace of long term investments allow for a much greater degree of stability and a much lower risk than short-term investments. Most of the respondents were aware of investment avenues like the insurance and bank deposits as it is considered safest investment avenue. Majority of the respondents have gained knowledge about investment avenues from their family, friends and newspapers. These sources of information play a vital role in the investor's behaviour as they allow an investor to think prudently about the consequences of their investments. From the study, the major factors influencing investment behaviour of the respondents were safety of principal followed by high returns and low risk. The study revealed

that there is significant association between occupation and preferred investment avenue as occupation of the investors paves the way and induces the investment pattern of the investors. The term of investment and expected return on investment mostly preferred by the respondents is 2-5 years and 20-40 per cent respectively. The investor has to opt for a suitable investment avenue depending upon the investor's specific need, risk and returns expected.

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