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A Study on Investment Decisions of An Individual Investor Regarding Various Investment Avenues

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ABSTRACT

This study explores the factors influencing individual investor behaviour, focusing on how demographic variables such as age, income, and education impact investment decisions. Using a mixed-method approach that combines quantitative surveys and qualitative interviews, the research examines the awareness and knowledge of various investment options among a diverse group of investors. The study finds that risk tolerance and investment knowledge significantly shape investment strategies, with older and more knowledgeable investors tending to have diversified portfolios, while younger or less knowledgeable investors prefer high-risk, high-reward options. The research concludes with practical recommendations for improving investor education and suggests that tailored financial programs could enhance decision-making, benefiting financial advisors, policymakers, and educational institutions in supporting investors' navigation of the complex investment landscape.

Keywords: **Investment Behaviour**, **Risk Tolerance**, **Financial Education**

1. INTRODUCTION

Investment involves converting capital or cash into tangible assets or seeking returns on future funds. It is seen as sacrificing current cash value in anticipation of future rewards. Investment can be challenging, fascinating, and rewarding for the investor. Generally, higher risks are associated with higher returns. Numerous investment options exist, including bonds, stocks, businesses, life insurance, precious metals like gold and silver, real estate, and postal deposits. Investors choose the best options based on various factors like income stability, appreciation potential, safety of funds, ease of transfer, and liquidity, aligning with their risk tolerance

2.OBJECTIVES

1. To assess the level of investor awareness regarding their investment decisions.

2. To identify the various sources through which investors acquire investment knowledge.

3. To explore the key factors that should be analysed prior to making investment decisions.

3. REVIEW OF LITERATURE

Selvan (2022) Research Paper Analyses "Investors' View of Different Investment Opportunities". Many small investors have the means to save and invest in the stock market, gold, real estate, insurance, and postal services. Regarding stocks, insurance, and mutual funds, according to a survey of the investment literature, several studies are based on the investment of researchers in different ways. Investors' perception of various investment opportunities in Vellore, Tamil Nadu and India is yet to be explored. This article, which fills a gap in the literature on investment opportunities, is therefore timely. Individual investors can also use investment strategies that would otherwise be financially impractical by consolidating modest amounts of money into a single investment. The study concluded that elderly and high-income investors prefer to invest only in postal, and bank deposits for security reasons.

Vanitha et al. (2021) conducted a study to find out how investors perceive the current pandemic situation. The study is descriptive in nature. The sample entity consists of investors in shares and securities of Sri Balaji. Information was collected from 110 investors with well-structured questions. The tools used to analyze the data are an independent T-test, Garrett's ranking, and percentage analysis. Investors realized that market investment is much more important during the closing period. After the first wave of Covid-19, people started investing more in the stock market and learned about its benefits.

This survey revealed that most of the respondents like gold and silver and the stock market but they did not prefer mutual funds which are the biggest investment schemes.

Jhansi and Goud (2020) The main objective of this project is to understand "Investor's perception of different ways of investing". Among other things, the study examines the number of investors, which instrument investors prefer for their investments, how they do financial planning, what they want for their financial planning, what is the purpose of financial planning, what is the ratio of risk ranks, what they think about different investment methods. The researcher surveyed 100 people by creating a questionnaire and analyzing investor preferences.

Muneeswaran et al. (2019) entitled "A Study of Investor Behavior in Investment Paths". There are several investment options available to investors. Depending on the risk, and return potential, they have opportunities to use the savings. Investors may behave differently over time, individuality and requirements. Therefore, the study proposes to evaluate the effect of demographic characteristics and information sources on the awareness of investors and risk avoidance regarding different investment methods. A structured survey was designed and administered to a sample of investors. It was observed that rural and urban investors had different risk tolerance and awareness of different investment opportunities. Investor risk levels varied by age and educational background, while married and single investors did not differ in risk awareness or attitudes.

4. RESEARCH METHODOLOGY

This research aims to delve into the investment decisions of individual investors, exploring the factors that influence their preferences among different investment avenues. To achieve this, we conducted a comprehensive survey, gathering 103 responses to provide empirical data on investor behaviour and preferences.

Sampling

The target population for this study comprises individual investors who actively participate in various financial markets. A convenience sampling technique was employed to collect responses from 103 individual investors. This method was chosen due to its practical advantages in terms of accessibility and time efficiency.

Data Collection

Primary data was collected using a structured questionnaire designed to capture a wide range of information regarding investment preferences, risk appetite, and demographic details. The questionnaire consisted of both closed-ended and open-ended questions to facilitate a comprehensive analysis.

5. DATA ANALYSIS

Data Analysis

Quantitative data obtained from the survey responses were analysed using statistical software (e.g., SPSS, Excel). The analysis involved:

Percentage Analysis

Percentage calculation and analysis is one of the fundamental statistical methods frequently used in the interpretation and analysis of primary data. It assesses the proportion of respondents' reactions to specific issues relative to the total number of respondents. Basic percentages are utilized in this research to evaluate various factors such as demographic and economic characteristics, investment behaviour, level of awareness, and investment preferences.

Inferential Analysis

Inferential statistical techniques were employed to test hypotheses related to the impact of demographic factors on investment decisions. For example, correlation analysis was used to determine the influence of variables such as age, gender, education and employment status on the preference for specific investment avenues.

Graphical representation of current investment avenues
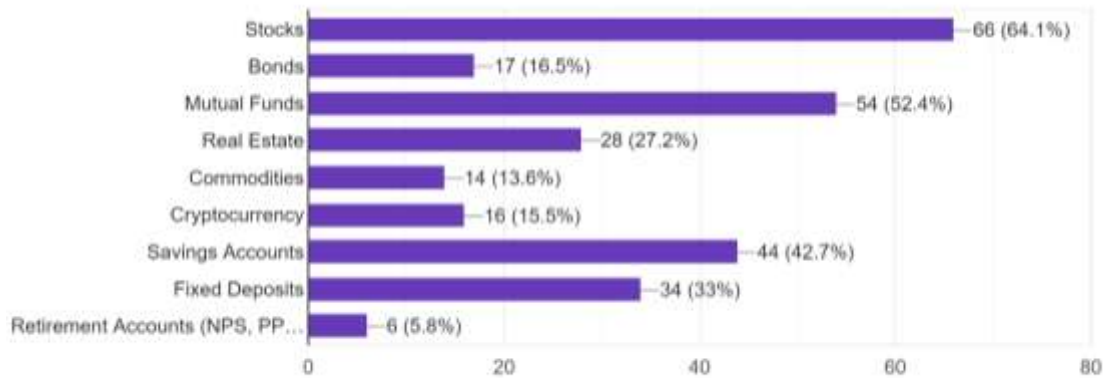
The survey results reveal diverse investment preferences among respondents. A majority, 64.1%, invest in stocks, underscoring a strong inclination towards equity markets. Mutual funds are also significant, with 52.4% of respondents investing in them, indicating a preference for diversification and professional management. Savings accounts attract 42.7% of participants, reflecting a desire for liquidity and low-risk options. Fixed deposits, held by 33%, show continued interest in secure, interest-bearing instruments. Real estate investments are notable at 27.2%, suggesting a substantial commitment to property. Bonds are held by 16.5%, and cryptocurrencies by 15.5%, highlighting interest in fixed-income securities and volatile asset classes, respectively. Commodities attract 13.6% of respondents, while retirement accounts like NPS, PPF, and EPF are held by 5.8%. These findings underscore varied investment strategies, crucial for financial advisors and investment firms to tailor their services to meet diverse client needs and risk appetites.

Correlation between age and key considerations in choosing an investment avenue

Correlations

		Age	Key Considerations in Choosing an Investment Avenue
Age	**Pearson Correlation**	1	-.085
	Sig. (2-tailed)		.391
	N	103	103
Key Considerations in Choosing an Investment Avenue	**Pearson Correlation**	-.085	1
	Sig. (2-tailed)	.391	
	N	103	103

Age and Most Important Factor When Choosing an Investment Avenue:

- **Pearson Correlation Coefficient:** -0.085

- **Significance (Sig. 2-tailed):** 0.391

- **Sample Size (N):** 103

Interpretation: There is a very weak negative correlation between age and the most important factor considered when choosing an investment avenue, which is not statistically significant ($p > 0.05$). This suggests that age does not significantly influence what factors individuals consider most important when selecting investments.

Layman Terms: The main things people think about when picking investments don't really change with age.

6.FINDINGS

- **Investor Awareness:** Most investors have a moderate level of self-assessed investment knowledge and review their portfolios regularly, indicating a reasonable level of awareness regarding their investment decisions.

- **Sources of Knowledge:** Self-research is the predominant source of investment knowledge, with a significant portion of respondents also relying on recommendations from personal networks and consultations with financial advisors.

- **Key Factors in Decision-Making:** Investors prioritize potential returns and risk levels when choosing investment avenues. They use historical performance and fundamental analysis as primary methods for assessing investment risk, emphasizing the importance of understanding both past performance and intrinsic value.

These findings provide a comprehensive understanding of the respondents' investment behaviours, preferences, and attitudes towards various aspects of investing, aligned with the study's objectives.

CONCLUSION

The survey data reveals a predominance of young, educated investors, primarily aged 18-24 with Master's degrees, indicating a focus on early-career individuals who are actively engaging in investment activities. The gender distribution is fairly balanced, with most respondents identifying as beginners or intermediates in investment knowledge, underscoring a need for enhanced educational resources. Employment status varies, with half employed full-time and a significant number being students, reflecting diverse levels of disposable income and time for managing investments. A strong preference for self-directed investment decisions highlights the demand for robust research tools and educational materials. Generating income is the primary investment objective, followed by capital growth, with a preference for medium-term investment horizons. While emotions moderately influence investment decisions, many investors rely on rational analysis through historical performance and fundamental analysis.

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