A REVIEW OF COMMERCIAL FINANCIAL INSTITUTIONS' PRIORITIES FOR SEVERAL INVESTMENT OPPORTUNITIES

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Abstract

Investment contributes to a country's economic prosperity. Many people in India come from middle-class households and invest their money in a variety of investment options. These options are picked based on their requirements and preferences. The goal of this study is to assess retail investors' preferences on various investment possibilities as well as to explore the selection criteria used by retail investors, as well as to analyse risk and return perceptions and formulate ideas for establishing new channels. In this study, data was obtained by a structured questionnaire, with 240 responses received. According to the report, many investors invest for a consistent return, while others prefer hazardous investment options for wealth appreciation.

Keywords: Retail investors, Investment alternatives, Return, Risk

Introduction:

Investors are people who make investments in order to earn profits. They choose among different types of investments, depending upon their needs and goals. Investments are made in stocks, bonds, mutual funds, commodities, property, and other things. In general, investors seek to achieve two objectives - one is to earn a profit, and the second is to reduce risks. Risk is the possibility of losing money. Investors take risks in order to earn higher returns. For example, if an investor buys shares in a company, she may lose her entire investment if the company goes bankrupt. On the other hand, if she invests in government bonds, she will not lose her entire investment if interest rates rise. INVESTOR PREFERENCES: Investor preferences refer to the type of investments preferred by investors. These include equity, debt, real estate, and others. Equity refers to ownership interests in businesses. Debt refers to loans taken out against future earnings. Real estate refers to properties owned by individuals or corporations. Other investments include precious metals, art, collectibles, and private placements. INVESTOR MOTIVES: Investor motives are the reasons why investors decide to invest in certain securities. Motives are classified into three categories: economic, psychological, and social. Economic motives include the desire to increase wealth, avoid losses, and gain control over

1. FACTOR OF RETURN:

True investors are those who always try to find a balance between risk and return. How do investors evaluate the return on securities? What return is expected on average. It is the expected value of the return, which is the sum of each possible return multiplied by the probability of its occurrence.

2. LIQUIDITY RISK:

A security must have the attribute of liquidity to be attractive as an investment to ordinary investors. Liquidity means easy exchangeability without loss. The liquidity of an investment is measured by the speed and ease with which the investment can be converted into cash whenever the investor wishes. Liquid investments give the investor a sense of security because they allow them to change their minds and correct their mistakes.

3. RISK FACTOR:

The words risk and uncertainty are used interchangeably. But technically their meanings are different. Risk indicates that the decision maker knows the possible consequences of the decision and their probability at the time the decision is made. On the other hand, it is undoubtedly a situation where the probability of possible outcomes is unknown. Based on the degree of risk perception, investors can be divided into risk takers, risk averse and risk neutral.

4. INVESTMENT HORIZON:

A speculation skyline is the all-out time span a financial backer hopes to hold a security or portfolio. The venture skyline is utilized to decide a financial backer's pay needs and wanted risk openness, which is then used to aid security determination.

5. TAX EXPOSURE:

Investors in higher tax brackets prefer investments where the return is tax-free. Others will not have such preferences.

6. TRENDS:

Before you start planning your finances, you need to understand how different asset classes have performed in the past.

7. INVESTMENT NEEDS:

How much money do you need at maturity? The purpose of the investment also affects the investment and the investment decision of the investor. Some people invest their funds in ways where they can get tax benefits.

INVESTMENT AVENUES IN INDIA:

Saving implies not consuming your entire current income. Choosing which assets to retain, on the other hand, is what investing entails. We can choose to invest in safe assets, hazardous assets, or a

mix of the two. In popular parlance, however, the phrase saves frequently refers to investing in a secure asset, such as an insured bank account. It's easy to mix up saving with wise investment. The portfolio of an investor is essentially his collection of investing assets. Once upon a time, a portfolio was just a collection of investment assets. Once upon a time, a portfolio was just a collection of investment assets. A portfolio is updated or rebalanced after it has been formed by selling current assets and using the profits to acquire new securities, as well as investing more cash to raise the total size of the portfolio.

Investment is the giving up of some present worth in exchange for an unknown future payoff. It entails making several decisions on the kind, mix, amount, timing, and degree of investment and disinvestment. Furthermore, such decision-making must be both continuous and reasonable. A choice to invest is a trade-off between risk and reward. All investing decisions are made in the heat of the moment, with personal investment goals in mind and an uncertain future in mind. Because investments in securities are revocable, investment aims are ephemeral, and the investing environment is variable, the foundation for reasonable expectations grows increasingly hazy as the future approaches. Uncertainty investors, as a result, examine and reassess their numerous investment commitments on a regular basis, taking into account new knowledge, altered expectations, and ends.

- Savings Account
- Bank Fixed Deposits
- Public Provident Fund
- National Savings Certificate
- Post Office savings
- Government Securities
- Mutual Funds
- Equity share market
- Commodity market
- Forex market
- Real Estate
- Gold/Silver
- Chit funds

PROBLEM STATEMENT:

This project attempts to know the preferences and analyse the importance of demographic factors that

influence the investor's decision to invest. This study attempts to find our significance of population demographic factors such as gender, age, education, occupation, income, savings and family size in several elements of investment decision making such as priorities based on characteristics of investment period of investment, reach of information source. , investment frequency and analytical skills. Hypotheses were developed considering their relevance to the research objectives. Investment decision-making behaviour in a risky situation was taken as a dependent variable. Demographic factors (age and gender) are considered as independent variables. Risk perception considered as a mediator. Individuals' risk preferences are taken as an intervening variable between demographic factors and risk perception. The data were classified; tabulated and tested statistical conclusions were drawn using hypothesis, Pearson's Chi-squared technique and Garrett's classification test for evaluating investment options.

NEED FOR THE STUDY

The growth of any economy is dependent on healthy savings and the right allocation of money for a country's development efforts. Savings will be helped by a decrease in disposable income or an increase in per capita income. Investors' investment strategies and perspectives vary according to their preferences. Investment selections are heavily influenced by liquidity and security; tax breaks and other aspects are also taken into account. Aside from the aforementioned variables, demographic factors also impact investment decisions. This article explores the elements that impact people's investing decisions.

OBJECTIVES OF THE STUDY:

The purpose of the analysis is to determine the investment behavior of investors and investment preferences.

- To evaluate retail investors' risk and return views in Western Maharashtra
- To recognise the needs and suggest the guidelines for developing new investment avenues.
- To explore the selection criteria adopted by retail investors through demographic profiles
- To study retail investors' preferences for different investment alternatives.

SCOPE OF THE STUDY:

The current look at is a first step closer to achieving this goal, and it aims to decide, in addition to the person's opinion of the characteristics of various saving instruments, their level of cognizance and attitude towards making an investment in one of a kind monetary instrument. Additionally, an effort was made to signify to the authorities a green mechanism for the entire delight of man or woman in savings in the financial tool, in addition to for the more powerful implementation of those schemes. The study is based

on a variety of factors that buyers take into account whilst shopping for stocks in one-of-a-kind companies. Investors' time and range of training are each vital. The relationship between investor employment, investor earnings, and investor frequency has been investigated. Additionally, the point of view of buyers concerning the risks and returns of a percentage investment is also looked at. Only the Western Maharashtra region is covered by the examination location.

DATA COLLECTION:

Data

The information required for the observer is number one in nature. The number one facts have been collected by means of the use of a dependent questionnaire. which includes demographic factors and investment alternatives.

Area of Study

The present look at is restrained to the investors of the Western Maharashtra Region (i.e., Pune, Solapur, Mumbai and Kolhapur Districts).

Research and Sample Design

This study follows descriptive research method. By adopting convenient sampling, 240 responses were collected.

TOOLS USED FOR RESEARCH ANALYSIS

Garrett's Ranking Technique

Garrett's ranking approach turned into used to rank the desire indicated by the respondents on different factors. As per this approach, respondents had been requested to assign the rank for all factors and the effects of such ranking were transformed into rating cost with the assist of the subsequent formula.

Where

Percent Position $= \dfrac{100(Rij-0.5)}{Nj}$

Rij = Rank given for the ith variable by its ith respondents

Nj = Number of variable ranked by jth respondents

With the assist of Garrett's Table, the percentage function predicted is converted into ratings. Then for each issue, the scores of every person are introduced after which overall fee of ratings and mean values of rating is calculated. The elements having maximum mean value is considered to be the

maximum critical thing.

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Confirmatory Factor Analysis

Confirmatory issue evaluation is a multivariate statistical procedure that is used to check how properly the measured variables represent the variety of constructs. Confirmatory element analysis (CFA) and exploratory factor analysis (EFA) are comparable strategies, but in exploratory factor evaluation, facts are truly explored and given records about the range of things required to symbolize the facts. In exploratory element analysis, all measured variables are related to every latent variable. But in confirmatory issue evaluation (CFA), researchers can specify the range of factors required inside the information which measured variable is associated with which latent variable. Confirmatory element evaluation is a tool that is used to verify or reject the dimension theory.

Chi-Square Test

Pearson's Chi-square exams, often mentioned without a doubt as Chi-rectangular checks, are many of the most common nonparametric exams. Nonparametric checks are used for facts that don't observe the assumptions of parametric assessments, especially the belief of a ordinary distribution.

If you want to check a speculation approximately the distribution of a categorial variable, you'll want to use a chi- rectangular check or any other nonparametric take a look at. Categorical variables may be nominal or ordinal and represent groupings including species or nationalities. Because they could best have some unique values, they couldn't have a regular distribution

Limitations of the study:

• The scope of the investigation was restricted to retail traders only.

• The statistics gathered for the study are primarily focused on rural areas of Western Maharashtra.

• Data was collected for the analysis from 01/02/2016 to 05/05/2017, implying that retail buyer preferences may change over time.

Despite of these limitations the current study makes a first attempt towards examining the retail
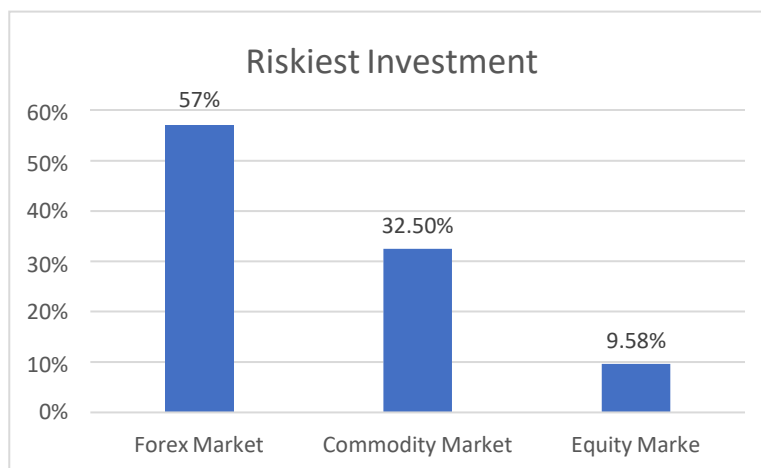
investors

RESULTS AND DISCUSSION

Riskiest investment

Table showing the Riskiest investment

Riskiest Investment	No. of Respondents	Percentage of Respondents
Forex Market	137	57%
Commodity Market	78	32.50%
Equity Market	23	9.58%
Total	240	100%

Graph showing the Riskiest investment

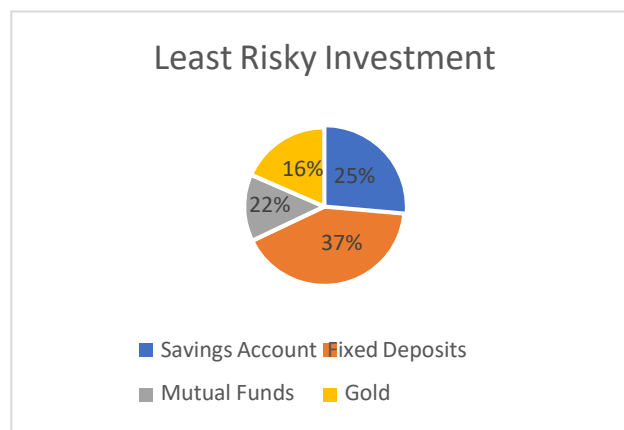

Source: Primary data

Interpretation:

The above table and chart show that majority of investors think forex market is the most riskiest investment option (57%) followed by commodity market (32.5%)

Least Risky Investment

Table showing the Least Risky Investments

Least Risky Investment	No. of Respondents	Percentage of Respondents
Savings Account	56	25
Fixed Deposits	88	37
Mutual Funds	29	22
Gold	39	16
Total	240	100

Chart showing the least risky Investment

Source: Primary data

Interpretation:

The above table and chart show that majority of investors feel fixed deposits (37%) are least risky followed by savings account (25%) and mutual funds (22%) and gold (16%)

Factor Analysis

Communalities		
	Initial	Extraction
Age	1.000	.785
Marital status	1.000	.775
Residence	1.000	.591
Domicile	1.000	.693
Wealth	1.000	.330

Extraction Method: Principal Component Analysis.

The extraction of age is .785 and the extraction of marital status is .775, residence extraction is .591, domicile extraction is .693 and wealth extraction is .330. which indicates the level of impact.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.107	42.144	42.144	2.107	42.144	42.144	1.733	34.659	34.659
2	1.066	21.321	63.465	1.066	21.321	63.465	1.440	28.806	63.465
3	.823	16.466	79.931						
4	.639	12.788	92.719						
5	.364	7.281	100.000						

	Component	
	1	
Marital status	.850	
Residence		.829
Domicile		.718
Wealth		
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

Extraction Method: Principal Component Analysis.

The 1st component's percentage of variance is 42.144, 2nd components of variance is 21.321, the 3rd component of variance is 16.466, 4th component of variance is 12.788, 5th component percentage of variance is 7.28. The component loading of greater than .70 can have a excessive impact on the

variables. Age element loading is .886 which indicates excessive impact on variables. Marital reputation element loading is .850 which indicates excessive impact on variables, residence issue loading is .829 shows excessive effect on variables and domicile thing load is .718 it suggests high impact on the variable. Wealth aspect load is less than .5 which suggests slight or low effect on variables.

Hypothesis Testing

H_O: There is no significant association between age and risk tolerance

level H_1: There is significant association between age and risk tolerance

level

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.768[a]	6	.005
Likelihood Ratio	19.910	6	.003
Linear-by-Linear Association	2.461	1	.117
N of Valid Cases	240		
a. 1 cells (8.3%) have expected count less than 5. The minimum expected count is 4.13.			

Interpretation:

The above data suggests that out of 240 samples, ninety seven are desired low hazard, ninety eight are desired moderate danger, and 45 are desired excessive threat. We can also look at the age range of 46 to 60, with 61 and up being preferred for low and slight risk. Pearson's Chi-square significance price is . Half, which is much less than the crucial fee, then we receive the alternative hypothesis. Hence, it's been proved that there is an association between age and chance tolerance stage.

Hypothesis Testing

H_O: There is no association between wealth and risk tolerance

level H_1: There is an association between wealth and risk tolerance

level

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.351[a]	4	.000
Likelihood Ratio	24.371	4	.000
Linear-by-Linear Association	9.583	1	.002

N of Valid Cases	240		
a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.50.			

Interpretation:

The above desk indicates that out of 240 samples, 122 belong to middle magnificence, 94 are higher middle magnificence, and 24 belong to affluent. We can see that the prosperous are favored with an extra chance compared to others. The Pearson Chi-Square importance price is.000. That is less than the crucial price. Then we take delivery of the alternative hypothesis. Hence, it's been proved that there may be a huge association between wealth and risk tolerance level.

Garrett Ranking Test

S. No	Investment Avenues	No. of Respondents	Garret Score	Mean Score	Rank
1	Savings Account	240	84	63.55	2
2	Bank Fixed Deposits	240	73	68.1	1
3	Public Provident Fund	240	67	59.02	4
4	National Savings Certificate	240	62	57.34	5
5	Post Office Savings	240	58	61.05	3
6	Government Securities	240	54	51.68	9
7	Mutual Funds	240	50	53.55	8
8	Equity Share Market	240	46	52.61	10
9	Commodity Market	240	42	48.34	12
10	Forex Market	240	76	35.86	13
11	Real Estate	240	33	51.77	11

| 12 | Gold/Silver | 240 | 26 | 57.12 | 6 |
| 13 | Chit Funds | 240 | 16 | 53.51 | 7 |

Interpretation

Garrett's ranking take a look at is one of the crucial strategies used to have a look at the preferences. The above table indicates the retail traders options on distinct funding options. Majority of investors are favored financial institution fixed deposits and observed by means of financial savings account and put up office savings. Employees are chosen provident fund, and a few are desired country wide financial savings certificates.

FINDINGS:

Following are the major findings that evolved from the study undertaken.

- The have a look at famous that out of 240 respondents, forty% are lady buyers and 60% are male investors. The age group between 21-35 are fifty two% and among the age organization of 36-45 is 25%.

- The look at reveals that most of the respondents undertake investment choice with a primary objective to 'Income renovation' (30.Four%) observed via long time increase (23.Three%) and brief- time period boom (19.6%).

- The examine reveals that majority of the respondents favor to put money into Fixed Deposits accompanied through savings account and Post office financial savings. Which suggests lack of understanding about different investment alternatives.

- The look at reveals that buyers with special dwelling house (the vicinity wherein they stay) may favor to investment in distinct investments. Investors from urban regions will opt to invest in volatile and excessive lower back alternatives in which the rural traders favor to spend money on low unstable and constant lower back investments.

- The look at exhibits that majority of investors are Employees (40.Eight%) which suggests career additionally have an effect on the funding.

- The examiner exhibits that financial savings of center-magnificence human beings are very less (four.50%).

- The have a look at well-known shows that majority of buyers are saving (33%) from their overall profits, and in that financial savings (36%-forty five%) are used to invest while other

portion is used to meet their wishes.

- The have a look at shows that many traders favor to make investments for a period of 3-five years (39.2%) observed via under three years (25.8%) and 6-10 years (24.2%).

- The look at reveals that buyers are who prefer moderate hazard (40.Eight%) followed by way of low risk (40.4%) and excessive hazard (18.75%).

- The study shows that affluent and urban traders opt to spend money on risky investments like stocks, mutual funds. Whereas semi-urban and rural buyers opt to spend money on least risky funding avenues like constant deposits, financial savings account, put up workplace savings.

- The observe shows that majority of investors are tracking their investments each week (36.6%).

- The examine famous that the demographic factors like age (zero.886), marital reputation (0.850), house(0.829) and abode (0.718) having a high effect on investment.

- The examine famous that majority of buyers select Bank fixed deposits, Savings account, Postworkplace savings and other traditional investments.

- The observe exhibits that there's sizable association among age and danger tolerance degree (0.Half) ofthe traders.

- The have a look at indicates that there is widespread association among wealth and threat tolerancelevel (zero.000) of traders

- The have a look at well-known shows that there is no extensive affiliation between gender and danger tolerance level (0.126)

SUGGESTIONS:

This study targets to explore the funding direction choices of retail buyers. The study has a right away effect available on the market of financial merchandise like Savings in banks, FD a/c in banks, Government securities, corporate bonds, Insurance guidelines, Real property, Commodities, Shares andMutual finances and Gold & Silver.

- Investors have to have complete information approximately various funding options earlier thanentering the investment

- Investors are suggested to make their time horizon depend on their goals and kinds of funding pathsrather than lengthy- or quick-time period funding.

- It is recommended for traders to seek assist from economic planners.

- Today, the return on numerous investments depends available on the market situation; therefore, it's far really helpful for investors to hold themselves updated with new guidelines

and modifications in terms.

- As examine exhibits, many of rural investors pick much less risky investments it is advisable tobroaden extra much less unstable and steady go back investments.

- Investors are cautioned to have as a minimum the fairness component of their portfolio reviewed frequently in order that necessary adjustments can be made if stocks are underperforming.

- Instead of rushing on the ultimate minute, buyers should plan their investments from the initial level ofbuyers.

- It is crucial to pick out an funding route according to the requirements of investors. And it's far higherto make investments over a long time frame for excessive returns.

- While demographic elements play a critical function in choosing funding paths and funding decisions,it's also essential to don't forget danger and go back elements.

- There is a want for financial literacy amongst retail traders, in particular in rural regions.

- It is critical to increase greater occasional investment avenues for unique traders.

CONCLUSION:

The observer concludes that investments have been made through numerous funding avenues with the expectation of retaining profits and lengthy-time period and brief-time period earnings. The basic concept behind making an investment for all authorities, private, self-hired, and pensioners in this study is to apply the excess money to useful plans so that the money is again and additionally offers excessive returns. When a normal guy thinks of funding, he in no way opts for any volatile plan. In the current scenario, the stock and gold markets are incredibly uncertain and unpredictable, so an investor must   analyse   the   market   carefully   before   making   an   investment   choice.

Considering hazard propensity as an influential factor, it's far more reasonable to trust that a threat-averse man or woman is much more likely to avoid risky selections than a threat-searching for a character,   who   is   much   more   likely   to   take   risky   movements   decision. The character investor nevertheless prefers to invest in financial merchandise that provides hazard-free returns. This confirms that Indian buyers, even though they're excessively profited, well educated, paid, and impartial, are conservative investors who prefer to play it safe. Investment product designers can design merchandise that may satisfy buyers who've a low tolerance for chance and use television as an advertising medium since they seem to spend an extended time watching television.

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