A Study on Investment Behavior of Investors towards Shares and Mutual Funds in Post Demonetization Period

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ABSTRACT

Investment in share market seems to be risky proposition for many investors but staying away from it also not a wise decision. Investment behavior is a potential topic to be researched to comprehend the likes and dislikes of retail investors. Many studies related to investment behaviour in India revealed that substantial portion of the investors prefer conventional investment avenues like bank deposits, life insurance policy, post office savings scheme etc., Immediately after the announcement of demonetization the banks are flooded with cash deposits, as a result the interest rates of the banks have shown drastic decrease. Many investors are seeking for new avenues of investment like equity shares and mutual funds. Hence this paper tried to make an analysis of investment behavior of investors towards shares and mutual fund in post demonetization period. Risky investment, less safety in case of equity shares and Risky investment, low rate of return in case of mutual funds are found to be the major reasons which forbid the investors from capital market investments.

1. Introduction

Investment behavior is a term used to explain how the investors make decisions regarding their investment . It includes how the investors analyse, predict, select and finalise their investment decisions. Many studies related to investment behaviour and investment preference in india revealed that substantial portion of the investors prefer conventional investment avenues like bank deposits, life insurance policy, post office savings scheme etc.,. The survey conducted by Securities Exchange Board of India (SEBI) across urban and rural part of the country found that almost 95 per cent of the Indian investors prefer to invest their money in bank deposits, whereas simply 10 per cent of them choose equity shares or mutual fund as their preferred investment option. It is shocking to know that less than one percent of the rural investors prefer stock market due to their lack of awareness. The following table shows the various most preferred investment avenues as per the SEBI investor survey 2015.

TABLE 1:MOST PREFERRED INVESTMENT AVENUES

S.No	Investment Avenues	Percentage	Rank
1.	Bank Deposits	95.0	I
2.	Life Insurance Policy	61.7	II
3.	Precious Metals	30.3	III
4.	Post office Savings schemes	30.1	IV
5.	Real Estate	16.5	V
6.	Mutual Fund	9.7	VI
7.	Equity Shares	8.1	VII

Source: Sebi investor survey 2015

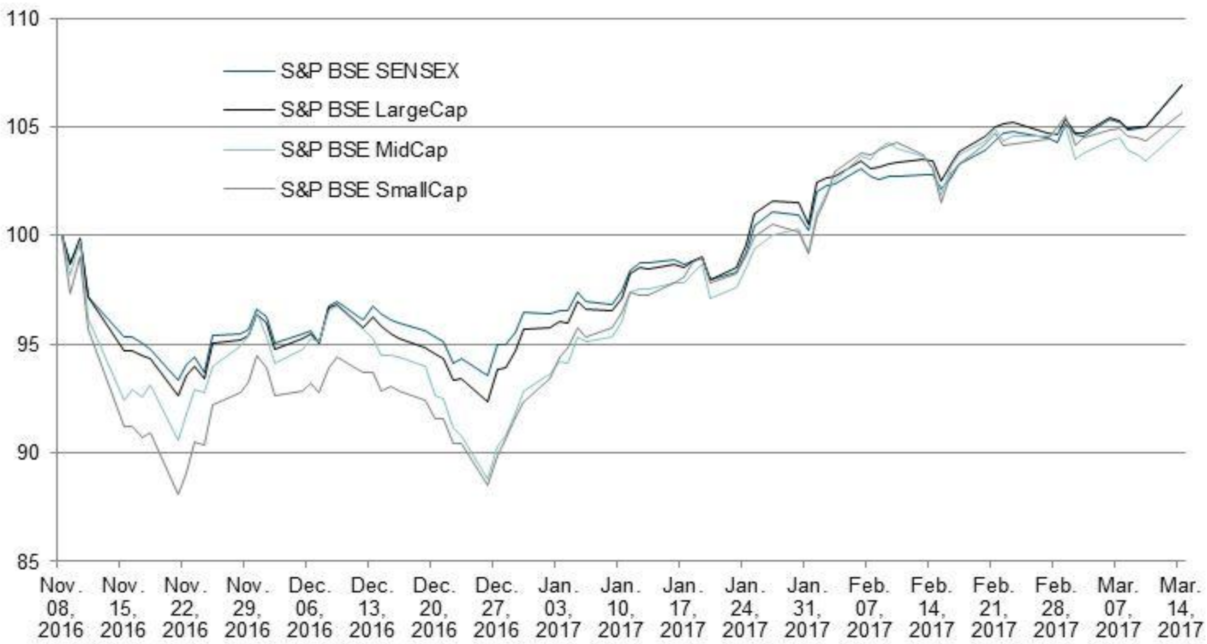
On a happy note, there has been a substantial increase in the household's participation in the securities market in recent times. Around 75 percent of the investors have participated in the capital market for the first time within the previous five years period. At this juncture, a question arises whether announcement of demonetization really has an impact on the investor's choice of investment avenues. By removing 86 percent of the money from the circulation have resulted in shrinkage of cash flow in the economy for a short period of time. But in long run the demonetization process is expected to strengthen the economy by curtailing the creation of black money, boosting digital transaction, enhanced tax compliance and reduction in informal economy. Immediately after the announcement of demonetization on 8th November 2016, the banks are flooded with cash deposits, as a result the interest rates of the banks have shown drastic decrease.

TABLE 2: INTEREST RATES OF SBI DOMESTIC TERM DEPOSITS

Date	Rate of Interest	Date	Rate of Interest
01.11.2013	9.00 %	17.11.2016	6.50%
18.02.2014	8.75%	29.04.2017	6.25%
10.11.2014	8.25%	1.11.2017	6.00%
5.10.2015	7.00%		

Source www.sbi.com *Duration: (3 years to 5 years)*

The low interest rates in bank deposits results in shifting of investors from bank deposits to other investment vehicles. Many investors are seeking for new avenues of investment like equity shares and mutual funds.At the same time share market inIndia isalso shows increasing trend after demonetization except the initial short term decline. The following chart indicates the movement of index value of BSE Sensex after demonitization



Hence this paper made an attempt to analyse the investor behavior towards shares and mutual fund in post demonetization period.

2. Objectives of the Study

1) To study the preference of investors towards Equity Shares and Mutual Funds in post demonetization period
2) To analysis the reasons for not- preferring equity shares and mutual funds as an investment option.

3. Sampling Frame Work

The study tried to make an analysis of investment behavior of investors towards shares and mutual funds after demonetization. The investors who resides in Dindigul city were approached for the purpose of the study . The population of the study is infinite and the investors are unevenly scattered over the study area. Hence, the convenient sampling procedure was adopted to collect the data from the investors. Primary data was collected with the help of structured questionnaire. The questionnaire comprise of two section. The first section deals with demographic profile of the investors. The second section deals with preference and investment behaviour of the investors towards shares and mutual funds. The questionnaire was administered through personal contact as well as through mail. Out of 200 questionnaires distributed, only 168 were found to be with usable responses. Hence, the sample size is 168 investors residing at Dindigul city.

TABLE 3: DEMOGRAPHIC PROFILE OF THE INVESTORS

Personal Profile	Classification	Number of Respondents	Percentage
Gender	Male	80	48
	Female	88	52
Marital Status	Married	132	79
	Unmarried	36	21
Age	Upto 30 years	46	27
	31 to 40 years	65	39
	41 to 50 years	43	26
	Above 50 years	14	8
Educational qualification	Upto school level	9	5
	Degree/Diploma	70	42
	Post/Graduate	48	29
	Professional	41	24
Occupational Status	Government Employee	62	37
	Private Employee	89	53
	Home maker	9	5
	Business people	7	4
	Professional	1	1
Income Level	Upto Rs.20,000	37	22
	20,000 to 30,000	27	16
	30,000 to 40,000	60	36
	40,000 to 50,000	28	17
	Above 50,000	16	9

Source: Primary Data

It is observed from the table that female (52%) investors are slightly more in number than the male investors(48%), not much deviation exist among the gender of the respondents. Majority (79%) of the respondents are married and belong to the age group of 31 to 40 years. With Regard to the Educational qualification, maximum percentage(42%) of them are Degree/ Diploma holders, followed by Post graduates(27%) and the professional (24%). 53 per cent of the respondents are Private Employees and 37 per cent of the respondents are Government employees. In case of monthly income, 36 per cent of the sample investors are earning Rs.30,000 to Rs40,000 per month.

TABLE 4: PREFERENCE TOWARDS VARIOUS INVESTMENT PLAN

S.No	Investment Plan	Total Score	Weighted Average Score	Rank
1.	Insurance Policy	1030	22.88	I
2.	Bank deposit	975	21.66	II
3.	Post office savings	900	20.00	III
4.	Gold, silver etc	777	17.26	IV
5.	Real Estate and housing	655	14.55	V
6.	Equity share	536	11.91	VI
7.	Chit fund	467	10.37	VII
8.	Mutual fund scheme	385	8.55	VIII
9.	Bond and debenture	322	7.15	IX

Source: Primary Data

The investors preference towards various investment plan has been analyzed with the help of weighted average ranks. From the Table 4, it is observed that the investment plans 'Insurance Policy, 'Bank Deposit' and 'Post Office Saving' are ranked as 1,2 and 3 respectively by the respondents as their most preferred investment plans. The least ranked investment plan is 'Bonds and Debentures'.

TABLE 5 :PREFERENCE TOWARDS INVESTMENT IN SHARES

S.No	Preference	Number of Respondents	Percentage
1.	Prefer	144	86
2.	Not prefer	24	14
	Total	168	100

Source: Primary Data

The Table 5 reveals that 86 percent of the respondents prefer to invest in shares.

TABLE 6: LEVEL OF PREFERENCE TOWARDS INVESTMENT IN SHARES

S.No	Level of Preference	Number of Respondents	Percentage
1.	High	24	14
2.	Medium	127	76
3.	Low	17	10
	Total	168	100

Source: Primary Data

The Table 6 shows that 76 per cent of the respondents have medium level of preference towards investment in shares.

TABLE 7: REASONS FOR NOT INVESTING IN SHARES

S.No	Reasons	Total Score	Weighted Average Score	Rank
1.	Risky investment	118	4.72	I
2.	Less safety	106	4.24	II
3.	Less awareness	97	3.88	III
4.	Uncertain income	53	2.12	VI
5.	Cumber some procedure	60	2.4	V
6.	Not possible to monitor regularly	65	2.6	IV

From the Table 7, it is observed that the reasons 'Risky Investment', 'Less Safety', 'Less Awareness' are ranked as 1, 2 and 3 respectively by the respondents as the reason for not investing in share. The least ranked reason for not investing in shares is 'Not possible to Monitor Regularly'

TABLE 8 : PREFERENCE TOWARDS INVESTMENT IN MUTUAL FUNDS

S.No	Preference	No of Respondents	Percentage
1.	Prefer	115	68
2.	Not Prefer	53	32
	Total	168	100

From the Table 8, it is found that out of the total respondents selected for the study, 68 percent of the respondents prefer to invest in mutual funds and remaining 32 percent of the respondents do not prefer to investment in mutual funds.

TABLE 9: LEVEL OF PREFERENCE TOWARDS INVESTMENT IN MUTUALFUNDS

S.No	Level of Preference	No. of Respondents	Percentage
1	High	40	24
2	Medium	125	74
3	Low	3	2
	Total	168	100

Source: Primary Data

The Table 9 shows that 74 per cent of the respondents have medium level of preference towards investing in mutual fund and 24 per cent of the respondents have high level of preference towards investing in mutual fund.

TABLE 10: REASON FOR NOT INVESTING IN MUTUAL FUNDS

S.No	Reasons	Total score	Weighted Average	Rank
1.	Risky investment	189	4.97	I
2.	Lower rate of return	159	4.18	II
3.	Less awareness about mutual fund	145	3.81	III
4.	Irregular nature of income	119	3.13	IV
5.	Lack of trust on the assets manager	103	2.71	V
6.	Cumber some procedure	73	1.92	VI

From the Table 10, it is observed that the reasons 'Risky Investment' and 'Lower rate of return' and 'Less Awareness about Mutual Fund' are ranked as 1, 2 and 3 respectively by the respondents as the reason for not investing in mutual fund. The least ranked reason is 'Cumber some procedure'.

4. Findings and conclusion

The study reveals that more than 80 percent of the investors prefer to invest in shares and 68 percent on the investors prefer to invest in mutual fund. But their current investment plan consist mostly of conventional investment avenues like life insurance scheme, bank deposits, post office savings scheme, gold and silver etc.,. It is observed that the investors are willing to invest their money in shares and mutual funds. But when it comes to actual investment, they stay back due to some reasons. Risky investment, less safety in case of equity shares and Risky investment, low rate of return in case of mutual funds are found to be the major reasons which prohibit the investors from capital market investments. The behavioral finance issues like risk aversion and fear of losing money can be tackled by organizing effective investor awareness program the regulatory bodies and private brokerage firms. Promoting financial literacy among the household is yet another effective measure to bring them into securities market. The financial literacy programs not only create awareness among the retail investors but also build a road map for achieving sustainable development, increased participation in financial market from all sections of the society.

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