



A STUDY ON INVESTMENT DIVERSIFICATION FACTORS AMONG INVESTORS OF SELECTED DISTRICT IN TAMILNADU

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Abstract

An investment refers to the commitment of funds at present, in anticipation of some positive rate of return in future. Today the spectrum of investment is indeed wide. An investment is confronted with array of investment avenues. Many individuals find investments to be fascinating because they can participate in the decision making process and see the results of their choices. Not all investments will be profitable, as investor will not always make the correct investment decisions over the period of years; however, should earn a positive return on a diversified portfolio. Investing is not a game but a serious subject that can have a major impact on investor's future wellbeing. Virtually everyone makes investments in stocks, Bonds, Mutual funds, options, Future, FOREX, Gold, Real Estate, Bank Deposits, Post Office savings, Provident Funds, Chit Funds, Company deposits, Money Market instruments, Insurance etc. Each of this investment has common characteristics such as potential return and the risk must to be bear.

The individual should start by specifying investment goals. Once these goals are established, the individual should be aware of the mechanics of investing and the environment in which investment decisions are made. These include the process by which securities are issued and subsequently bought and sold, the regulations and tax laws that have been enacted by various levels of government, and the sources of information concerning investment that are available to the individual.

Furthermore, inflation has served to increased awareness of the importance of financial planning and wise investing. More Inflation is a worry for each and every individual. Due to Inflation value of your money in future will decrease. To Cope up this, Investors wants to invest their money and earn certain rate of return which is more than rate of Inflation. Having clear reasons or purposes for investing is critical to investing successfully. Here in this study the researcher tries to find the possible options for diversifications of investments on different aspects to support for stable economy.

INTRODUCTION

With the markets moving up and down like a Six Flags roller coaster, is there anything you can do to stomach the Risk? Have you carefully considered the various risks that are associated with each investment you make?

The fact is, many people either have no desire or no knowledge about how to protect them from unneeded risk. In this tutorial, we'll introduce you to risk and give you a good foundation to understand the relationship between return and risk.

Whether it is investing, driving, or just walking down the street, everyone exposes themselves to risk. Your personality and lifestyle play a big role in how much risk you are comfortably able to take on. If you invest in stocks and have trouble sleeping at night, you are probably taking on too much risk.

Risk is defined as the chance that an investment's actual return will be different than expected. This includes the possibility of losing some or all of the original investment.

Those of us who work hard for every penny we earn have a harder time parting with money. Therefore, people with less disposable income tend to be, by necessity, more risk averse. On the other end of the spectrum, day traders feel if they aren't making dozens of trades a day there is a problem. These people are risk lovers.

When investing in stocks, bonds, or any investment instrument, there is a lot more risk than you'd think. In the next section, we'll take a look at the different kind of risk that often threatens investors' returns.

REVIEW OF LITERATURE

Baruan Varuan (1991)¹

Evaluated fund performance in India comparing the returns earned by schemes of similar risk and similar constraints. An explicit risk-return relationship was developed to make comparison across funds with different risk levels. His study decomposed total return into return from investors risk, return from managers' risk and target risk.



Gupta L C (1992)²

In this review attempted a household survey of investors with the objective of identifying investors' preferences for mutual funds so as to help policy makers and mutual funds in designing mutual fund products and in shaping the mutual fund industry.

Shanmugham (1993)³

A survey of individual investors with the objective to find out what information source investor depends on. The results explained that they are economical, sociological and psychological factors which control investment decisions.

Ricciardi (1995)⁵

In the literature review, behavioural approach is used in the risk to evaluate through laboratory experiment and questionnaire instrument. Risk is classify as subjective and contained the beliefs, attitudes and feelings towards risk

Nagy and Obenberger (1994)⁴

The research findings by which examined factors influencing investor behavior, suggested that classical wealth – maximization criteria are important to investors, even though investors employ diverse criteria when choosing stocks. Contemporary concerns such as local or international operations, environmental track record and the firm's ethical posture appear to be given only cursory consideration. The recommendations of brokerage houses, individual stock brokers, family members and coworkers go largely unheeded. Many individual investors discount the benefits of valuation models whenevaluating stocks.

Madhusudhan V Jambodekar (1996)⁶

A study to assess the awareness of MFs among investors, to identify the information sources influencing the buying decision and the factors influencing the choice of a particular fund. The study reveals among other things that Income Schemes and Open Ended Schemes are more preferred than Growth Schemes and Close Ended Schemes during the then prevalent market conditions. Investors look for safety of Principal, Liquidity and Capital appreciation in the order of importance; Newspapers and Magazines are the first source of information through which investors get to know about MFs/Schemes and investor service is a major differentiating factor in the selection of Mutual Fund Schemes.

NEED OF THE STUDY

Investors need to think hard about portfolio construction and the risks they are taking in their portfolios, because the fact is that diversification is not as obvious as many may have thought, although it's also not as difficult. As we discussed earlier, investors need to understand where the risks in their portfolios are coming from. They may believe they are diversified and exposed to different types of risks, but as we saw in the example we just discussed, they may not be.

The key takeaway is that investors need to rethink their overall approach to portfolio construction and start thinking in terms of risk diversification and getting exposure to as many different and non-correlated types of risk that they can. That's what I mean by portfolio construction—building a portfolio based on risk exposures and not just so-called “asset classes” or “sub-classes.”

The objective for investors should be exposure to a variety of risks, in proportion to their risk preferences and circumstances. By that, I mean investors should complete the spectrum of risks they take to the greatest extent they can. In other words, investors should hold as many different assets and exposures as they possibly can, according to their specific circumstances.

Investors should almost surely have some amount of real estate in their portfolios, they should have real assets and perhaps commodities, they might have exposure to international investments, and they perhaps should have long/short investments. In short, investors should try to own as many different assets that have as many different types of risk as possible.

This doesn't mean that all risks are the same and it doesn't mean that investors should necessarily equal-weight their portfolios among all of these risks. Investors need to work with their financial professionals to choose and blend the risks that make sense for their unique circumstances.

OBJECTIVES OF THE STUDY

1. To study the Satisfaction level of Present and Existing Investments in India in selected districts of Salem, Coimbatore, Erode & Trichy.

2. To study the Diversification Factors Influencing in Selections of Investment Schemes in selected districts of Salem, Coimbatore, Erode & Trichy
3. To evaluate the existing schemes of investment in connection with reference to risk, return and Time period.
4. To find the Preference and Expectation level of New and Innovative Investment Schemes going to come in Future in selected districts of Salem, Coimbatore, Erode & Trichy.

RESEARCH METHODOLOGY

The study is related to Salem, Coimbatore, Erode & Trichy city. Convenience sampling technique was administrated in the study. 200 respondent's wereselected for the study and information wascollected through a structured questionnaire. Theinvestors were contacted through various Banks, stock Broking Dealers, Banks, Life insurance Companies, mutualfund distributors, agents and through consultancyagencies. The collected data was analysed using SPSS software package. The following statisticaltools were applied in tune with the objectives.

PERCENTAGE ANALYSIS

I Demographic Profile of the Respondent

Sl.No	Variable	Category	No of Respondents	Percentage
1	Educational Level	School Level	38	19
		UG Level	50	25
		PG Level	69	34.5
		Diploma	43	21.5
2	Age	21-30 yrs	43	21.5
		31-40 yrs	57	28.5
		41-50 yrs	46	23
		Above 51 yrs	54	27
3	Occupation	Business	45	22.5
		Employed	50	25
		Self Employed	15	7.5
		Agriculture	40	20
		Professional	50	25
4	No of Dependents	3-4 Members	56	28
		5-6 Members	53	26.5
		7-8 Members	46	23
		Above 8Members	45	22.5
5	Annual Income	Below 1 Lakhs	39	19.5
		1 Lakhs-2 Lakhs	46	23
		2 Lakhs-3 Lakhs	63	31.5
		3Lakhs-4 Lakhs	24	12
		Above 4 Lakhs	28	14
6	Gender	Male	119	59.5
		Female	81	40.5
7	Marital Status	Married	156	78
		Unmarried	44	22
8	Experience in Investment	Below 2 yrs	26	13
		3-4 yrs	39	19.5
		5-6 yrs	59	29.5
		7-8 yrs	35	17.5
		Above 8 yrs	41	20.5

Interpretation

Demographic profile of the respondents: majority of the respondents are male 59.5%, of the totalrespondents 28.5% fall under the age category of 31-40 years. 78% of the respondents are married,28% of the respondents family consists of 3-4 members. 25% of the respondents are professionals&Employed. 34.5% of them are P G degree/ graduates and 23% of the respondent's monthly income rangesbetween Rs 10001-20000, 29.5% of the respondents are fall under 5-6 yrs in Experience in Investments.

II Satisfaction level of Present and Existing Investment in India

Sl.No	Particulars		Highly Satisfied	Satisfied	Neither satisfied Nor Dissatisfied	Dissatisfied	Highly Dissatisfied	Total
1	Bank Deposit	No	46	32	41	46	35	200
		%	23	16	20.5	23	17.5	100
2	Mutual Fund	No	37	56	62	32	13	200
		%	18.5	28	31	16	6.5	100
3	Insurance	No	62	47	52	20	19	200
		%	31	23.5	26	10	9.5	100
4	Chit Fund	No	16	32	72	44	36	200
		%	08	16	36	22	18	100
5	Derivatives	No	22	47	53	64	14	200
		%	11	23.5	26.5	32	07	100
6	Real Estate	No	33	59	77	72	29	200
		%	16.5	29.5	38.5	36	14.5	100
7	Foreign Currency	No	04	45	29	56	66	200
		%	02	22.5	14.5	28	33	100
8	Gold	No	72	64	36	15	13	200
		%	36	32	18	7.5	6.5	100
9	Commodities	No	31	45	41	36	47	200
		%	15.5	22.5	20.5	18	23.5	100
10	Public Provident Fund	No	92	12	36	56	4	200
		%	46	06	18	28	02	100
11	Senior Citizens Saving Scheme	No	36	47	64	54	03	200
		%	18	23.5	32	27	1.5	100
12	Tax Free Bonds	No	89	64	32	07	08	200
		%	44.5	32	16	3.5	04	100
13	Shares and Securities	No	09	20	93	46	32	200
		%	4.5	10	46.5	23	16	100

Interpretation

23% of the respondents are Highly Satisfied and Dissatisfied in Bank Deposit, 28% of the respondents are satisfied in Mutual Fund, 31% of the respondents are highly satisfied in Insurance, 36% of the respondents are Neither Satisfied nor dissatisfied in chit fund, 26.5% of the respondents are Neither Satisfied nor dissatisfied in Derivatives, 36% of the respondents are Neither Satisfied nor dissatisfied in chit fund, 38.5% of the respondents are Neither Satisfied nor dissatisfied in Real estate, 28% of the respondents are dissatisfied in Foreign Currency, 36% of the respondents are Neither Satisfied nor dissatisfied in chit fund, 36% of the respondents are highly Satisfied in gold deposit, 23.5% of the respondents are highly dissatisfied in commodity trading, 46% of the respondents are highly Satisfied in public provident fund, 32% of the respondents are Neither Satisfied nor dissatisfied in senior citizen saving scheme, 44.5% of the respondents are highly satisfied in Tax free bonds, 46.5% of the respondents are Neither Satisfied nor dissatisfied in Shares and securities.

III Diversification Factors Influencing in Selections of Investment Schemes:

Sl.No	Factors Influencing		High	Medium	Low	Total
1	Future Return	No	132	34	34	200
		%	66	17	17	100
2	Safety	No	156	32	12	200
		%	78	16	06	100
3	Children Education	No	164	20	16	200
		%	82	10	8	100
4	Retirement Benefits	No	136	42	22	200
		%	68	21	11	100
5	Tax Benefits	No	112	58	30	200
		%	56	29	15	100
6	Vacation Planning	No	73	84	43	200
		%	36.5	42	21.5	100
7	Loan Home into Own Home	No	145	39	16	200
		%	72.5	19.5	08	100
8	Luxury Lifestyle	No	92	86	32	200
		%	46	43	16	100
9	Parental Care	No	139	54	07	200
		%	69.5	27	3.5	100
10	Children Marriage	No	145	42	13	200
		%	72.5	21	6.5	100
11	Debt Free Life	No	169	27	04	200
		%	84.5	13.5	02	100
12	Purchasing of New Asset	No	88	56	66	200
		%	44	28	33	100
13	Risk Protection	No	106	46	48	200
		%	53	23	24	100
14	To Meet out Inflation	No	135	47	18	200
		%	67.5	23.5	09	100
15	Security for Income	No	145	36	19	200
		%	72.5	18	19	100
16	Standard Income	No	154	26	20	200
		%	77	13	10	100
17	Charity	No	32	96	72	200
		%	16	48	36	100

Descriptive Statistics

Particulars	N	Mean
Future Return	200	2.49
Safety	200	2.72
Children Education	200	2.74
Retirement Benefits	200	2.57
Tax Benefits	200	2.41
Vacation Planning	200	2.15
Loan Home into Own Home	200	2.65
Luxury Lifestyle	200	2.4
Parental Care	200	2.66
Children Marriage	200	2.66
Debt Free Life	200	2.83
Purchasing of New Asset	200	2.21
Risk Protection	200	2.29
To Meet out Inflation	200	2.59
Security for Income	200	2.63
Standard Income	200	2.67
Charity	200	1.8

IV Existing Scheme of Investment in Connection with Risk, Return and Time Period:

Sl.No	Existing Schemes of Investment	Rank The Following			Total	
			Risk	Return		Time Period
1	Bank Deposit	No	30	99	72	200
		%	15	49.5	36	100
2	Stock Market	No	156	32	12	200
		%	78	16	06	100
3	Life Insurance	No	66	56	88	200
		%	33	28	44	100
4	Medical Policy	No	18	54	131	200
		%	09	27	65.5	100
5	Real Estate	No	129	36	33	200
		%	64.5	18	16.5	100
6	Gold Investment	No	52	126	32	200
		%	26	63	16	100
7	Commodity Market	No	166	22	22	200
		%	83	11	11	100
8	Post office Saving Schemes	No	43	73	84	200
		%	21.5	36.5	42	100
9	Chit Funds	No	92	46	62	200
		%	46	23	31	100
10	Mutual Funds	No	36	126	38	200
		%	18	63	19	100
11	Pension scheme	No	75	84	41	200
		%	37.5	42	20.5	100
12	Forex Market	No	126	46	28	200
		%	63	23	14	100

Interpretation

The above table shows the investors preference in investment, with the connection with risk returns and time period. 49.5% of the respondents say return in bank deposit, 78% of the respondents say risk in stock market, 44% of the respondents say time period in Insurance, 65.5% of the respondents say return in Medical policy, 64.5% of the respondents say risk in real

estate,63% of the respondents say return in Gold investment,36.5% of the respondents say return in Post office saving scheme, 46% of the respondents say risk in Chit fund,63% of the respondents say return in Mutual fund,42% of the respondents say return in Pension Scheme, 63% of the respondents say risk in Forex Market.

V Preference and Expectation level of New and Innovative Investment Schemes going to come in Future:

Sl.No	New Investment Schemes	Preference Level			Total	
			High	Medium		Low
1	Jewells Insurance Plan	No	89	46	65	200
		%	44.5	23	32.5	100
2	3 in Policy (Life, Medical, Accidental)	No	127	47	26	200
		%	63.5	23.5	13	100
3	Inflation Protector	No	138	46	16	200
		%	69	23	08	100
4	Retirement plan for All	No	96	66	48	200
		%	48	33	24	100
5	Gold Deposit	No	129	42	39	200
		%	64.5	21	19.5	100
6	Global Banking System	No	146	29	28	200
		%	73	14.5	14	100
7	Unemployment scheme @ 50 %	No	153	26	21	200
		%	76.5	13	10.5	100
8	Youth Business Capital	No	126	47	27	200
		%	63	23.5	13.5	100
9	Soul other's Trusted Plan	No	97	57	46	200
		%	48.5	28.5	23	100
10	Dolat Investment	No	47	97	56	200
		%	23.5	48.5	28	100
11	Franklin Templeton Investment	No	87	56	57	200
		%	43.5	28	28.5	100

Interpretation

The above table shows that, 44.5% of the respondents are preferred for Jewells Insurance plan, 63.5% of the respondents are expected for 3 in 1 medical policy in future, 69% of the respondents are preferred for Inflation protector, 48% of the respondents are preferred for retirement plan for all, 64.5% of the respondents are preferred for gold deposit,

FINDINGS

The table has listed the order of preference of the various factors considered by the respondents while selecting the investment avenues. The prime priority is attached to the past performance of the other schemes, next to the services provided by the company, followed by performance of the research team and to the dynamism of the dealers & fund manager etc. The other factors in the order of priority are objective of scheme, total corpus of scheme, reputation of the company, transparency of investment, number of schemes available and the redemption period, least importance is given to foreign collaboration.



It is concluded that past performance of the company along with the services provided by them are primarily considered by the respondents while selecting the Investment avenues.

RECOMMENDATIONS

Based on the observation made during the study the following suggestions are submitted for the betterment of the Diversification factors.

- Updates about the fund performance and schemes should be dispatched to the investors at least once in a month.
- It is found from the study that only to a certain extent the AMCs are following SEBI guidelines.

It should be overcome by AMCs by following the SEBI guidelines, which will create more Confidence in the investors.

CONCLUSION

Investment option have become very attractive for retail investors who are interested in the financial markets but do not have the time, expertise and experience in good stock picking. The problems faced by small investors in the share market have been solved by the emergence of mutual funds, Bank deposits, Pension Scheme, etc... An average Indian investor is a greenhorn when it comes to financial markets, the causes may be many: the lack of opportunity, lack of conceptual understanding and the influence of a fixed-income orientation in Indian culture. At present a salaried person's savings are more often deposited in Tax free bonds, Gold deposit, mutual funds, Bank deposit, Insurance and as they are found to be a better investment avenue. Share market, commodity market & Foreign currency too can be a market and try to improve upon their weak areas regarding the problems faced by the investors. As seen, the enormous growth of stock market industry, if controlled effectively, could be channelized for achieving better economic growth.

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