To Study Investors Perception Regarding Investment Management

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INTRODUCTION
Behind every buy and/or sell order, there is an investor. Trade takes place because investors have different opinions and outlooks and it cannot be expected from any theory aimed at explaining how the financial markets function, to neglect how the investors, as one of the fundamental actors of the markets, make their decisions as to purchase or sell a stock. Explanations based on the Efficient Markets Hypothesis, which we may call the traditional finance, focuses on the notion of rational human beings to explain how people should make their decisions. However, this is not the answer to how they make their decisions. It can be said that the question about how people in general and investors in particular make their decisions is a subject matter of behavioral psychology. However, this approach does not justify the thought of the traditional finance that psychology does not contribute to financial explanations. The aversion of the traditional approach to understand and explain the decision processes of investors was the main reason to trigger the emergence of behavioral finance as an approach which tries to identify and understand the meaning of psychological decision processes for financial markets. The main approach of behavioral finance is that investors are not rational and they are under influence, as opposed to traditional finance. As such each investor has different decision making criterions and apprehensions about the market, yet there are certain variables that are found among the masses. This project tries to analyze their such behavior, way of working and expectations that drives him to invests? What factors have a bearing on his trade decisions? How comfortable he feels in investing his funds in volatile capital markets? Based on these concepts, this study presents the results of a survey aimed at understanding and interpreting their behavior and decision process of investors. However, in the financial literature, there are no models which explain the influence of these “perceptions” and “beliefs” on “Expectations” and “Decision Making”. Because of our own inability to understand the sources of motivations and the basis of these expectations we tend to ignore it. No doubt, reality is so complex that trying to fit an individual investor’s beliefs into a model is impossible. But, to a certain extent, we can borrow concepts from social psychology where behavioural patterns, rational or irrational, are developed and empirically tested. On the same lines, we can develop certain models to test the
financial behaviour, to the extent of the availability of the explanatory variables. Such models can help to understand the Why? and How? aspect of investor behaviour, which can have managerial implications for policy makers.

Saving and investing is all about putting money aside. Whilst saving tends to be about putting aside money for the short to medium term, investing is more about putting aside money for longer periods of time.

Having savings or investments may make it easier for investors to:
• Cope financially if they lose their job or couldn’t work.
• Take first step onto the property ladder.
• Have that dream wedding.
• Afford to have children.
• Fulfill your dreams of retiring early.

Investing in various types of assets is an interesting activity that attracts people from all walks of life irrespective of their occupation, economic status, education and family background. When a person has more money than he requires for current consumption, he would be coined as a potential investor. The investor who is having extra cash could invest it in securities or in any other assets like gold or real estate or could simply deposit it in his bank account. The companies that have extra income may like to invest their money in the extension of the existing firm or undertake new venture. All of these activities in a broader sense mean investment.

1.1 INVESTMENT

An investment is a commitment of funds made in the expectation of some positive rate of return. If the investment is properly undertaken, the return will be commensurate with the risk the investor assumes. We can define investment as the process of, “sacrificing something now for the prospect of gaining something later”. So, the definition implies that we have four dimensions to an investment - time, today’s sacrifice and prospective gain.

Investment Objectives

All personal investing is designed to achieve a goal, which may be tangible (a car, a house) or intangible (security, social status). Therefore, goals should be classified into various types based on the way investors approach them.

Near- Term High Priority Goals:
These are goals, which have a high emotional priority to the investor, and he wishes to achieve these goals within a few years at the most. For example: a new house. As a result; investment vehicles for these goals tend to be either in the forms equivalent to “cash or as fixed income instruments with maturity dates in correspondence with the goal dates. Because of the high emotional importance these goals have, investor, especially the one with moderate means will not go for any other form of investment which involves more risk especially where, his goal is just in sight.

Long-Term High Priority Goals: For most people, this goal is an indication of: their need for financial independence at a point some, years ahead in the future eg., financial independence at the time of
retirement or starting a fund for the higher education of a three-year old child. Normally, we find that either because of personal preference or because the discounted present value is larger in relation to their resources, the time of realization for such goals is set around 60 years of age for people of moderate means. Because of the long-term nature of such goals, there is not a tendency to adopt more aggressive investment approaches except perhaps, in the last 5 to 10 years before retirement. Even then, investors usually prefer a diversified approach using different classes of assets.

**Low Priority Goals:** These goals are much lower down in the scale of priority and are not particularly painful achieved. For people with moderate to substantial wealth, these could range from a world tour to donating funds for charity. As a result investors often invest in speculative kinds of investment either for the fun of it or just to tryout some particular aspect of the investment process.

**Entrepreneurial or Money making goals:** These goals pertain to individuals who want to maximize wealth and who are not satisfied by the conventional saving and investing approach. These investors usually put all the spare money they have into stocks preferably of the company in which they are working/owing and leave it there until it reaches some level which either the individual believes is enough or is scared of loosing what has been built-up over the years. Even then the process of diversification and building up a conventional portfolio usually takes him a long time involving a series of opportunities and sales spread over many years.

**Constraints of investments**

An investor-seeking fulfillment of the above mentioned goals operate under certain constraints:

- Liquidity
- Age
- Need for regular income
- Risk Tolerance
- Tax liability

The change in investment management, therefore, lies in choosing the appropriate investments and designing a unit that will meet the investment objectives of the investor subject to his constraints. To take on this challenge, the first step will be to get acquainted with the different types of investment alternatives available to the investors in our financial market.

**Features of an Investment**

- Safety of Principal
- Liquidity
- Income Stability
- Appreciation and Purchasing Power Stability
- Legality and Freedom from Care
- Tangibility
- Tax Benefits

**1.5 Investment Alternatives**

**1.5.1 MUTUAL FUNDS**

A Mutual fund is an organization that invests in a diversified portfolio of financial securities on behalf of a pool of subscribers to its schemes. These securities can be in the form of equity, debt instruments, money
A mutual fund scheme issues units that are normally priced at Rs.10 during offer. Thus, the number of units you own against the total number of units issued by the mutual fund scheme determines your share in the profit or loss of a scheme.

In the case of open end schemes, units can be purchased from or sold back to the fund at a net asset value (NAV) based price on all business days. The NAV is the actual value of a unit of the fund on a given day. Thus, when you invest in a mutual fund scheme, you normally get an account statement mentioning the number of units that have been allotted to you and the NAV based price at which the units have been allotted. When you buy more units or redeem your units in part or full, you get an updated account statement, reflecting your transaction.

1.5.1.1 ADVANTAGES OF INVESTING IN MUTUAL FUNDS

- **Diversification**: Mutual Funds invest their corpus in diversified portfolio’s which reduces the risk contained in the investment. This also means that you can invest a small sum of Rs.5000/- and still be a part of a portfolio where the market value of single scrip might be much more than the total investment.

- **Liquidity**: These funds are extremely liquid, some of them even have features like across-the-counter redemption. This feature is especially useful at times when the market is rising or falling.

- **Professionally Managed**: These funds are managed by professionals who have the required expertise in buying and selling stocks. As a result they make better decisions on entering and exiting a particular stock, which is very crucial for the overall performance of a portfolio. Moreover, mutual fund investment also rids the investor of maintaining records, eliminates hassles with the broker for payment, delivery and other arduous back office tasks.

- **Savings on transaction costs**: As purchases and sales are done in bigger quantities, the funds also get the
advantages of lesser brokerage and other reduced transaction costs.

- **Tax Advantages:** In India these funds become even more attractive because of the tax advantages, like indexation benefits, long-term capital gains tax, tax-free dividends, and much more.

### 1.5.1.2 SHORTCOMINGS OF MUTUAL FUNDS

While the benefits of investing through mutual funds far out weigh the disadvantages, an investor and his advice will do be aware of a few shortcomings of using the mutual funds as investment vehicles.

- No Control Over Costs
- No Tailor-made Portfolio
- Managing a portfolio of funds.

### 1.5.1.3 TYPES OF MUTUAL FUNDS

Mutual funds can be classified based on their objectives and their structure:

#### 1.5.1.3.1 On the basis of Objective-

- **Growth Funds:** The aim of growth funds is to provide capital appreciation over the medium to long-term. Such schemes normally invest a majority of their corpus in equities. It has been proven that returns from stocks, have outperformed most other kind of investments held over the long term.

  Growth schemes are ideal for investors having a long-term outlook seeking growth over a period of time.

- **Income Funds:** The aim of income funds is to provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, and Government securities. Income funds are ideal for capital stability and regular income.

- **Balanced Funds:** The aim of balanced funds is to provide both growth and regular income. Such schemes periodically distribute a part of their earning and invest both in equities and fixed income securities in the proportion indicated in their offer documents. In a rising stock market, the NAV of these schemes may not normally keep pace, or fall equally when the market falls. These are ideal for investors looking for a combination of income and moderate growth.

- **Money Market Funds:** The aim of money market funds is to provide easy liquidity, preservation of capital, and moderate income. These schemes generally invest in safer short-term instruments such as treasury bills, certificates of deposit, commercial paper, etc. Returns on these schemes may fluctuate depending upon the interest rates prevailing in the market. These are ideal for corporate and individual investors as a means to park their surplus funds for short periods.

- **Load Funds:** A load Fund is one that charges a commission for entry or
exit. That is, each time you buy or sell units in the fund, a commission is payable. Typically entry and exit loads range from 1% to 2%.

- **No – load Funds:** A No-load Fund is one that does not charge a commission for entry or exit. That is, no commission is payable on purchase or sale of units in the fund.

1.5.1.3.2 **On the basis of Structure**

- **Open-ended Funds:** An open-end fund is one that is available for subscription all through the year. These do not have a fixed maturity. Investors can conveniently buy and sell units at Net Asset Value (NAV) related prices. The key feature of open-end schemes is liquidity.

- **Close-ended Funds:** A close-ended fund has a stipulated maturity period which generally ranges from 3-15 years. The fund is open for subscription only during a specified period. Investors can invest in the scheme at the time of the initial public issue and thereafter they can buy or sell the units of the scheme on the stock exchanges where they are listed. In order to provide an exit route to the investors, some close-ended funds give an option of selling back the units to the mutual Fund through periodic repurchase at NAV related prices.

- **Interval Funds:** Interval funds combine the features of open-ended and close-ended schemes. They are open for sale or redemption during pre-determined intervals at NAV related prices.

1.6 **SHARES**

Shares are the certificates representing ownership in a corporation. Shares are also known as stocks or equities. It is a type of security that signifies ownership in a corporation and represents a claim on part of the corporation’s assets and earnings. Shares are the most universal form of raising long-term funds from the market. Every company, except a company limited by guarantee, has a statutory right to issue shares. The capital of a company is divided into a number of equal parts known as shares.

Section 2 (46) of the companies Act, 1956 defines it as “a share in the share capital of a company, and includes stock except where a distinction between stock and shares is expressed or implied.”

A holder of stock has a claim on a part of the corporation’s assets and earnings. In other words, a shareholder is an owner of a company. Ownership is determined by the number of shares a person
owns relative to the number of outstanding shares. For example, if a company has 1000 shares of stock outstanding, and one person owns 100 shares, that person would own and have claim to 10% of the company’s assets.

Companies issue different types of shares to mob up funds from investors. The Companies Act, 1956 has limited the type of shares to only two – Preference shares and Equity shares. Different types of shares are issued to suit the requirements of investors.

1.6.1 KINDS OF SHARES

- **Equity Shares** – Equity shares, also known as ordinary shares or common shares represent the owners of the company. The holders of these shares are the real owners of the company. They have a control over the working of the company. Equity shareholders are given dividend after paying it to the preference shareholder. The rate of dividend on these shares depends upon the profits of the company. These shareholders take higher risk as compared to preference shareholder. Equity capital is paid after meeting all claims including that of preference shareholders. They take risk both regarding dividend and rate of capital. Equity share capital cannot be redeemed during the lifetime of the company.

- **Preference Shares** – These shares have certain preferences as compared to other types of shares. These shares are given two preferences. There is preference of or payment of dividend. The second preference for these shares is the repayment of capital at the time of liquidation of the company. A fixed rate of dividend is given on preference share capital. Preference shareholders do not have voting rights; so they have no say in the management of the company.

- **Deferred Shares** – These shares are earlier issued to the promoters or founders for services rendered to the company. These shares were known as Founders shares because they were normally issued to the founders of the company. These shares are generally of a small denomination and the management of the company remained in their hands by virtue of their voting rights.

- **No Par Stock/ Shares** - No par stock means having no face value. The capital of a company issuing such shares is divided into a number of specified shares without mentioning any face value. The value of a share can be determined by dividing the real net worth of the company with the total number of shares of the company. Dividend on such shares is paid per share and not
as a percentage of fixed nominal value of shares.

1.6.2 Five reasons for investing in shares:-

➢ **Capital Growth** – Over the longer term, shares can produce significant capital gains through increases in share prices. Some companies also issue free or bonus shares to their shareholders as another way of passing on company profits or increase in their net worth. Many listed companies also make what are called “rights issues”, that give their existing shareholders the opportunities to buy more shares in the company at a discounted rate and without the need to buy through brokers, thereby saving on brokerage fees. Companies do this as a way of raising more capital for expansion, and it provides you with an opportunity to increase your holding to increase your holding in the company at a discounted price if you are confident of its potential. Even if you decide not to take up their offer, you can sell the right to buy the discounted shares to someone else.

➢ **Dividends** – Companies pay much of their post-tax profits to their shareholders in the form of dividends. Since dividend imputation was introduced, the attractiveness of dividends issued by Australian companies earning their profits within Australia has increased. Some companies have dividend reinvestment plans, where they issue additional shares to their shareholders (often at a slight discount and without brokerage fees), rather than paying out dividends in cash.

➢ **Ease of buying and selling**. Compared to other investments like property, shares are very portable. They can be bought and sold quickly, and the brokerage on the transactions is lower than for a property transaction. Unlike selling a property, you can sell part of your share parcels.

➢ **Diversifying your investments** - In order to diversify your investments portfolio, you will probably have part of your money in the share market. You may buy shares directly or through managed funds or your superannuation.

➢ **Getting shareholder discounts or entitlements** - some listed companies, usually retail, hospitality/entertainment or financial services, offer generous discounts to shareholders when they buy goods or services from the companies or their subsidiaries. Usually, you must hold minimum-qualifying parcel eg, 500 shares.
1.6 BONDS or DEBENTURES

Bonds are generally less talked about than stocks and shares, yet they can provide high levels of cash growth, as well as offering more security than shares. Over the long term they generally do not yield as much money as shares do, but they also do not suffer from the large swings in the market, and so offer a safer, more reliable investment.

Bonds a way of lending money to a private or public corporation, in return for a set rate of interest on that loan. Whether it is a government, or a corporation, the essential idea is that you purchase ‘bonds’ off of the issuer, which promises to return your money on a specific date, and in the mean time pay you a set level of interest. There are different types of bonds that are issued , and they are usual rated on a sliding scale from AAA downwards. AAA bonds are issued by very financially secure institutes such as big chip companies, or governments. They have a very low chance of defaulting on the loan (you losing your money), but correspondingly they pay low levels of interest .At the other end of the scale there are ‘junk’ bonds, that pay very high levels of interest , but are issued by much higher risk companies, such as small businesses, start ups, or even medium to large companies that are re organizing their finances.

Obviously these types of companies have a much larger risk of going bankrupt, and hence there is larger risk of losing money when investing in them.

1.7.1 TYPES OF BONDS

- **Simple, Naked Bonds:** These are not given any security on assets. They have no priority as compared to other creditors.
- **Secured Bonds:** These are given security on assets on company.
- **Bearer Bonds:** These are easily transferable. They are just like negotiable instruments. They are handed over to the purchaser without any registration deed. Anyone purchasing them with a good faith becomes the lawful owner of these bonds.
- **Registered Bonds:** As compared to bearer bonds which are transferable, registered bonds require a procedure to be followed for their transfer. Both the transfer and the transferee are expected to sign a transfer voucher.
- **Redeemable Bonds:** These bonds are to be redeemed on the expiry of a certain period. The interest on bonds is paid periodically but the principal amount is returned after a fixed period.
Irredeemable Bonds :- Such bonds are not redeemable during the life time of the company. They are payable at the winding up of the company.

Convertible Bonds :- Sometimes convertible bonds are issued by the company and the holders are given an option to exchange the bonds into equity shares after the lapse of a specific period.

Zero Interest Bonds :- It is a usually convertible bonds which yield no interest. The company does not pay any interest on such bonds. But the investor in Zero Interest Bond is compensated for the loss of the interest through conversion of such bonds into equity shares at a specific future date.

Guaranteed Bonds :- These are bonds on which the payment of interest and principal is guaranteed by third parties, generally, banks and government etc.

1.7.2 ADVANTAGES OF BONDS

Bonds offer a number of advantages to both the company as well as investors.

1.7.2.1 ADVANTAGES TO COMPANY

Bonds provide long- term funds to a company.

Rate of interest payable on bonds is usually lower than the rate of dividend paid on shares.

Many companies prefer issue of debentures because of the fixed rate of interest attached to them.

A company can trade on equity by mixing debentures in its capital structure and thereby increase its earnings per share.

1.7.2.2 ADVANTAGES TO INVESTORS

The interest of bonds is protected by various provisions of the bonds trust deed and the guidelines issued by the SEBI.

Many investors prefer debentures because of a definite maturity period.

It is a comparatively a safer investment because debenture/bond holders have either a specific or a floating charge on all the assets of the company.

Debentures provide a fixed, regular and stable source of income to its investors.

1.8 INSURANCE

In India, the concept of insurance was never given a serious thought, as compared to other countries. People still are under insured. The reason being lack of awareness and opportunities combined with poor state of services provided. Insurance is a method of spreading and transfer of risk. Here losses of unfortunate few are shared by
and spread over to many exposed to the same risk. Assets created by the owner in expectations of future needs / benefits have a value. Loss of the asset for any reason deprives the owner of the expected benefit. Insurance in this context is a mechanism that helps to reduce the adverse consequences due to loss of assets.

Insurance is a contract between the insurer (the insurance company) and the insured (the person or the entity seeking the cover) where in against receipt of certain amount, called premium, the insurer agrees to make good any financial loss that may be suffered by the insured, due to the operation of an insured peril on the subject matter of insurance.

Functional definition of insurance has following features

- It is a co-operative device
- It spreads the risk over a large number of persons who are insured against the risk,
- It provides security to the insured

1.8.1 KINDS OF INSURANCE

Insurance can be mainly classified into two categories.

- **Life Insurance** – According to sec 2 (ii) of Insurance Act 1938, “Life insurance is the business of effecting contracts of insurance upon human life including any contract, whereby the payment of money is assured on death except death by accident on the happening of any contingency dependent on human life and any contract which is subject to the payment of premium for a term dependent on human life and any contract which is subject to the payment of premium for a term dependent on human life. At present the life insurance enjoys maximum scope because life is the most important property of the society or an individual. Each and every person requires insurance up to a specific level. The insurance is not only the protection but is an investment because a certain sum is returnable to the insured at the death or at the expiry of the period. It includes-
  - **Term Life Insurance** – Under a term life contract, the insurance company pays a specific lump sum to the designated beneficiary in case of death of the insured. These policies are usually for 5,10,15,20 years etc. The premium payable on these policies is low as they do not carry any cash value. If one survives the period of policy, he or she do not get any money at the end of the policy. The premium on such policies keeps on increasing with age mainly because the risk of death of older people is more. Over the age of 60, these policies become difficult to afford.
  - **Permanent Life Insurance** – Under permanent Life insurance, a portion of the money paid as
premium is invested in a fund that earns interest on a tax-deferred basis. Thus, over a period of time, this policy will accumulate certain “cash value” which you will be able to get back either during the period of the policy or at the end of the policy. This type of policy not only provides protection for your dependents by paying a death benefit to your designated beneficiary upon your death, but it also allows you to use some part of the money while you are alive or at the end of the policy. Some examples are – whole life, universal Life etc.

1.8.2 ENDOWMENT POLICIES

These policies provide for payment of premiums and a lump sum amount either in the event of death of the insured or on the date of expiry of the policy.

1.8.3 MONEY BACK POLICIES

These policies provide for periodic payments of partial survival benefits during the term of the policy itself. A unique feature of these policies is that in the event of the death of the insured during the policy term, the designated beneficiary will get the full sum assured without deducting any survival benefits amount, which have already been paid as money-back components.

1.8.4 PENSION POLICIES

These policies require the insured to pay the premium as a single lump sum or through installments paid over a certain number of years. The insured in return will receive back a specific sum periodically from a specified date onwards (the returns can be monthly, half-yearly, or annually), either for life or for a fixed number of years. In case of the death of insured, or after the fixed annuity period expires for annuity payments, the invested annuity fund is refunded, usually with some additional amounts as per the terms of policy.

Some of the major private players in the sector are:

In Life insurance Sector:
- Bajaj Allianz Life Insurance Corporation
- Birla Sun Life Insurance Co. Ltd. (BSLI)
- HDFC Standard Life Insurance Co. Ltd. (HDFC STD LIFE)
- ICICI Prudential Life Insurance Co. Ltd. (ICICI PRU)
- ING Vysya Life Insurance Co. Pvt. Ltd. (ING VYSYA)
- Max New York Life Insurance Co. Ltd. (MNYL)
- MetLife India Insurance Co. Pvt. Ltd. (METLIFE)
Kotak Mahindra Old Mutual Life Insurance Co. Ltd. SBI Life Insurance Co. Ltd. (SBI LIFE)

TATA AIG Life Insurance Co. Ltd. (TATA AIG)

Aviva Life Insurance Co. Pvt. Ltd. (AVIVA)

Sahara India Life Insurance Co. Ltd. (SAHARA LIFE)

1.8.5 GENERAL INSURANCE

General Insurance includes property insurance, liability insurance and other forms of insurance. Fire and marine insurance are strictly called property insurance. Motor, theft, fidelity and machine insurances include the extent of liability insurance is fidelity insurance, where by the insurer compensates the loss to the insured when he is under the liability of payment to the third party. The common type of general insurance are:

- **Property Insurance:** This policy is designed to cover the various risks under a single policy. It provides protection for property and interest of the insured and family.

- **Health Insurance:** It provides cover, which takes care of medical expenses following hospitalization from sudden illness or accident.

- **Personal Accident Insurance:** This insurance policy provides compensation for loss of life or injury caused by accident. This includes reimbursement of cost of treatment and the use of hospital facilities for the treatment.

- **Travel Insurance:** This policy covers the insured against various eventualities while traveling abroad. It covers the insured against personal accident, medical expenses, passport etc.

- **Motor Insurance:** Motor vehicles act states that every motor vehicle plying on the road has to be insured with at least liability only policy. There are two types of policies – one covering the act of liability, while the other covers the insurers all liability and damage caused to one’s vehicles.

In General Insurance sector:

- Bajaj Allianz General Insurance Co. Ltd. (BAJAJ ALLIANZ)
- ICICI Lombard General Insurance Co. Ltd. (ICICI LOMBARD)
- IFFCO Tokyo General Insurance Co. Ltd. (IFFCO TOKIO)
- Reliance General Insurance Co. Ltd. (RELIANCE)
- Royal Sundaram Alliance Insurance Co. Ltd.
- TATA AIG General Insurance Co. Ltd. (TATA AIG)
- HDFC Chubb General Insurance Co. Ltd. (HDFC CHUBB)

1.8.6 SOCIAL INSURANCE

The insurance is to provide protection to the weaker section of the society who is unable
to pay the premium for adequate insurance. Pension Plans, disability benefits, unemployment benefits and industrial insurance are various forms of social insurance. With the increase of socialization ideas, the social insurance is obligatory duty of the nation. The government of the country must provide social insurance to its means.

Since a single policy cannot meet all the insurance objectives, one should have a portfolio of policies covering all the needs.

1.9 BANK DEPOSIT SCHEMES

One of the important functions of the banks is to accept deposit from the public for the purpose of lending. The depositors continue to be the heart of the Banking system.

The depositors and their interest form the key area of the regulatory framework for Banking in India and this has been enshrined in the Banking Regulation Act 1949. In the liberalized environment banks have been vested with powers to formulate Deposit products within the broad guidelines issued by RBI.

1.9.1 TYPES OF DEPOSIT ACCOUNTS

The deposit Products offered by the bank are broadly categorized in the following types.

- Savings Bank Account
- Current Account
- Term Deposits

Savings Bank Account:-

Savings Bank Account as the very name suggests is intended for savings for the future. There are no restrictions on the number and amount of deposit that can be made on any day. Balance in the account earns interest at rates advised by the Head Office from time to time. These accounts can be opened by eligible persons and also certain organizations and agencies (as approved by the RBI).

As required by Law, while opening the account, bank satisfy about the identity, including verification of address of a person/s seeking to open an account, to assist in protecting the prospective customers, members of the public and ourselves against fraud and other misuse of the Banking system duly observing the know your customer(KYC) guidelines of RBI.

Current Account :-

Current Accounts are designed to meet the needs of such sections of the public who operate their account regularly and frequently. i.e. Traders, Businessmen, Corporate bodies or the like who receive money and make payments very often. Current accounts are suitable to such category of customers as there is no restriction on the number of withdrawal or deposit. These accounts can be opened by individuals, partnership firms, Private & Public Co, HUFs, Societies, Trusts, etc.

As required by Law, while opening the account, bank satisfy about the identity, including verification of address of a
person/s seeking to open an account, to assist in protecting the prospective customers, members of the public and ourselves against fraud and other misuse of the Banking system duly observing the know your customer(KYC) guidelines of RBI.

**Term Deposit Account:**

The deposits received by the bank for a fixed period withdraw able after expiry of the fixed period and includes deposits such as Recurring / Fixed. Bank has tailored various term deposit schemes to suit the needs expectation of the investing people in every walk of life. Term Deposits can be opened by individuals, partnership firms, HUF’s, societies etc.

**1.10 REAL ESTATE**

Investing in Real Estate means more than just “buying right” or “selling right”. It also means managing the property right. In real estate one must answer questions such as: What rents should be charged? How much should be spent on maintenance and repairs? What purchase, lease, or sales contract provisions should be used?

Along with market forces, it is the answers to such questions that determine whether or not investor will earn the desired return on a real estate investment. Like other investments markets, the real estate market changes over time. It also differs from region to region.

**1.10.1 FEATURES**

- **Physical Property**- When buying real estate, make sure to get both the quantity and quality of property. Problems can arise if the investor fails to obtain a site survey, an accurate square – footage measurement of the buildings or an aspiration for building or site defects. When signing a contract to buy a property, make sure it accurately identifies the real estate and lists all items of personal property that investor expects to receive.

- **Property Rights** – Strange as it may seem, when buying real estate when the investor buys a bundle of legal rights that fall under concepts in,law such as deeds, titles, liens etc. When investing in real estate, make sure that along with various physical inspections, to get a legal inspection from a qualified attorney.

- **Time Horizon** – Like a roller coaster, real estate prices go up and down. Sometimes, market forces pull them up slowly but surely; in other periods prices can fall so fast they take an investor’s breath away. The investor must decide what time period is relevant. The short-term investor might count on a quick drop in mortgage interest rates and buoyant market expectations, whereas the long term investor might look more closely at population – growth potential.

- **Geographical Area** – Real estate is a spatial commodity, which means that its value is directly linked to what is going on around it. With some properties,
area of greatest concern consists of a few square blocks; in other instances an area of hundreds or even thousands of miles serves as the relevant market area. So the investor must delineate boundaries before he can productively analyse real estate demand and supply.

CHAPTER -2
RESEARCH DESIGN

2.1 Review of literature

Livanas (2006) provides an analysis of investor behaviour, in particular, in investors’ thinking and their approach to shifting their risk. It utilizes the enormous source of information in the Australian Superannuation System to derive some understanding of investor perceptions of risk and return. Rather than focusing on the impact of investors on individual securities, the paper reviews investor impact in terms of the market efficiency through their shift in the risk-return equation. He found that investors in superannuation are unlikely to be able to influence the prices of individual securities.

Breuer, et.al (2007) find that mutual fund investors seem to have extrapolative expectations. They are optimistic in bull markets and pessimistic in bear markets. They expect the continuation of past price changes. However, extrapolating expectations contradicts the empirical evidence that returns are mean reverting (which would suggest regressive expectations). As a result, they buy, when the stock market is high (relative to fundamental data) and sell when prices are low (relative to fundamental data). This behaviour implies a loss in performance of about 1.01 %- points per year for an average investor in comparison to a passive asset allocation strategy.

Fama (1997) argued that behavioural finance has as yet, not provided a model to better describe the functioning of the market that Efficient Market Hypothesis(EMH), notwithstanding the behaviour of individual investors.

Livanas (2006) in a comparative analysis of the seminal theories of behavioural finance and EMH highlighted that the EMH does not necessarily preclude investors from behaving in ways different to that predicted by rational market behaviour, provided that arbitrageurs operate continuously and efficiently to bring market prices back to equilibrium.

Bloomfield, et.al (2002) have indicated that less informed investors are over confident in investments. Providing more information to professional investors only could harm the welfare of less informed investors if less informed investors are not aware of the extent of their informational disadvantage.

Statman (2002) in his research compared the investors a century ago with investors today. He concluded that today’s investors are more rapidly informed than their predecessors, but they are neither better informed nor better behaved.
Fieldstein, et.al (2000) have presented evidence to suggest that the corporate stock owned by high-income investors appreciate substantially faster than stock owned by investors with lower incomes. They have indicated that high-income individuals have larger portfolios and can therefore denote more time or resources to their investments, thus resulting in higher returns.

2.2 Focus of study
The study focuses on the investors. Where do they invest their surplus money? Nowadays there are large number of investment tools available for investing money for e.g. Share market, Bank deposits, Mutual funds and bonds, Insurance sector, Real Estate etc. Every individual has different reasons for investing his/her money. Some like to invest in Share market because of high liquidity and high return, while exactly opposite to are those persons who thinks that share market is the most risky tool to invest their money as in the share market future plays a major role e.g. Price of one share may rise high today and may fall tomorrow.

People who want to safeguard their hard earned money they say that share market is most risky as we cannot predict the future. As investing money in banks deposits or in post office Schemes are highly safe. But mentality of people in India has changed with the passage of time. The number of investors investing in share market has increased a lot. But the real measure of investment success is meeting one’s goal; investors will be winner if they can ensure the right investment for themselves, their family and their financial goal.

The present study is undertaken to determine whether the perception and preferences of investors towards investment schemes in the Fatehgarh sahib and near cities region.

2.3 Objectives of the study
Whenever a study is conducted, it is done on the basis of certain objectives in mind. A successful completion of a project is based on the objectives of the study that could be stated as under:
- To study the perception and preferences of individuals towards various investment schemes and most preferable alternative of investment.
- To know actually what factors affect the investor while investing in various investment schemes.
- To study whether Credit Ratings provided by rating agencies tries to shape investors investing pattern.

2.4 Research methodology
Research Methodology is a systematic way to solve the research problem. It may be understood as a science of studying how research is done scientifically.

2.4.1 Universe of the study
The survey is conducted at Fatehgarh Sahib. The universe of the study includes the investors from Fatehgarh Sahib who are investing into different investment schemes.

2.4.2 Sample size
The sample is drawn from the population using convenience sampling technique. The sample size for the research is 60 investors.

2.4.3 Sampling design
The sampling method used for the research problem is random sampling. The selection of the respondents is done on the basis of convenience sampling as the universe under the coverage area of the study is large.

2.4.4 Method of data collection
Both Primary data and secondary data have been used for the purpose of data collection. To observe and collect data regarding the perceptions of the investors, a questionnaire have been prepared containing many questions. Personal contact has been made with 60 respondents to get the questionnaires filled. All possible efforts were made to gather information in some rational way to remove biasness.

2.4.5 Data analysis & interpretation: For the purpose of analyzing, raw data is summarized into charts and the results have been carried out. The questions, which have alternative choices, were analyzed by taking percentages. Proper analysis of the data has been made to get proper results.

2.4.6 Statistical tools
Various statistical tools like percentages, pie charts etc. have been used to analyze the data.

2.5 Limitations of the study
- Area of study is Patiala and finding may not hold true for large cross section of population.
- The finding of the survey is based on the opinion of respondents and there is no way of assessing the truth of the statements and
- The other thing is limit of time.

CHAPTER -3
DATA ANALYSIS AND INTERPRETATION
The data collected from the respondents is analyzed and interpreted as follows:

<table>
<thead>
<tr>
<th>Investment options</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>7</td>
</tr>
<tr>
<td>Insurance</td>
<td>13</td>
</tr>
<tr>
<td>Property</td>
<td>10</td>
</tr>
<tr>
<td>Share market</td>
<td>5</td>
</tr>
<tr>
<td>Bank</td>
<td>15</td>
</tr>
<tr>
<td>Bonds</td>
<td>10</td>
</tr>
</tbody>
</table>
The above pie chart shows that the most preferred investment option for the investors is bank where 25% respondents have invested their money and the second investment option where investors invest their money is insurance plans which stands to 22% respondents. The most preferred investment option among the investors is bank deposit because of the safety, security, liquidity and stability of return and principal.

<table>
<thead>
<tr>
<th>Expected Rate of Return</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10%</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>10% - 15%</td>
<td>39</td>
<td>65%</td>
</tr>
<tr>
<td>15% - 25%</td>
<td>14</td>
<td>23%</td>
</tr>
<tr>
<td>More than 25%</td>
<td>7</td>
<td>12%</td>
</tr>
</tbody>
</table>
It is clear from the above that 65% of the total 60 investors i.e. 39 expects return that vary between 10%-15% and only 12% of them expects more than 25% return. And no one expects return below 10%.

### Purpose of investment.

<table>
<thead>
<tr>
<th>Investment Purpose</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Future Needs</td>
<td>34</td>
<td>56%</td>
</tr>
<tr>
<td>Periodic return</td>
<td>10</td>
<td>17%</td>
</tr>
<tr>
<td>Tax Advantage</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Speculative</td>
<td>9</td>
<td>15%</td>
</tr>
</tbody>
</table>

The above pie chart shows that 56% of respondents invests their money to fulfill their future needs. 17% respondents invest for periodic return. 12% and 15% invests for tax shield and speculative purpose respectively.

### Criteria for investment decision

<table>
<thead>
<tr>
<th>Criteria for investment decision</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand name of the company</td>
<td>20</td>
<td>33%</td>
</tr>
<tr>
<td>Annual reports of the company</td>
<td>13</td>
<td>22%</td>
</tr>
<tr>
<td>Quarterly reports of the company</td>
<td>7</td>
<td>12%</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>8</td>
<td>13%</td>
</tr>
<tr>
<td>Financial media</td>
<td>6</td>
<td>10%</td>
</tr>
<tr>
<td>Personal preference</td>
<td>6</td>
<td>10%</td>
</tr>
</tbody>
</table>
The study shows that 33% of the investors make their investing decisions on the basis of the brand name the company. 22% and 12% of them only goes by the annual reports and the quarterly reports of the company respectively. 10% invests as per their personal preference. Thus it can be concluded that brand name of the company plays an important role in the investment decision of the investors.

### Have Demat account

<table>
<thead>
<tr>
<th>Demat account</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>39</td>
<td>65%</td>
</tr>
<tr>
<td>No</td>
<td>21</td>
<td>35%</td>
</tr>
</tbody>
</table>
The above pie chart shows that 65% of the respondents taken into the study have Demat account and rest 35% don’t have Demat account.

### Market condition for investment

<table>
<thead>
<tr>
<th>Market condition</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bull market (up market)</td>
<td>14</td>
<td>23%</td>
</tr>
<tr>
<td>Bear market (down market)</td>
<td>29</td>
<td>49%</td>
</tr>
<tr>
<td>None Of These</td>
<td>17</td>
<td>28%</td>
</tr>
</tbody>
</table>
In the study investors perception regarding market condition to invest is also studied and it is clear from the above pie chart that is showing that 49% of the investor would like to invest in the bear market i.e. when market is going down whereas only 23% wants to invest in bull market i.e. when market is going upwards. 28% of the investors responded none of these market conditions. This sows that investors tries to take benefit of bear market position and gain in the bull market by selling their securities at higher prices.

**Consultation while investing**

<table>
<thead>
<tr>
<th>Consulting while investing</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your friends and relatives</td>
<td>30</td>
<td>50%</td>
</tr>
<tr>
<td>Financial Consultants</td>
<td>13</td>
<td>22%</td>
</tr>
<tr>
<td>News papers and magazines</td>
<td>17</td>
<td>28%</td>
</tr>
</tbody>
</table>
The above bar chart shows that 50% of the investors make their investment decision by consulting their friends and relatives, and only 22% consult financial consultants for making investments.

### Follow the company ratings provided by credit rating agencies

<table>
<thead>
<tr>
<th>Follows company ratings</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>21</td>
<td>35%</td>
</tr>
<tr>
<td>No</td>
<td>39</td>
<td>65%</td>
</tr>
</tbody>
</table>

- **Yes**: 35%
- **No**: 65%
The credit rating company’s rating regarding companies also form an important factor for the investor in the investment decisions but from the data collected through the study reveals that only 35% of the investors form their investment descision on the basis of the rating provided by credit rating companies.

**Perception regarding parameters adopted by credit rating agencies for evaluating a company’s financial performance is appropriate or not**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>17</td>
<td>28%</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>Undecided</td>
<td>28</td>
<td>47%</td>
</tr>
<tr>
<td>Disagree</td>
<td>6</td>
<td>10%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>8%</td>
</tr>
</tbody>
</table>

The above pie chart shows the investors perception regarding the parameters adopted by the credit rating agencies for evaluating the financial performance of the companies, as per the study data reveals that 47% of the respondents have neutral response regarding this and 28% of them are strongly agree with this whereas only 8% are strongly disagree with this.
CHAPTER -4
FINDINGS AND CONCLUSION

Findings

➢ The study the bank deposit is considered as the most preferred alternative of investment as 25% investors like it because they want safe, secure and stable return on their investment and 17% likes bonds and property.

➢ The main purpose of the investment for most of the investors i.e. 56% is to fulfill their future needs and only few invests to save tax.

➢ The study also reveals that mostly investors i.e. 33% invests on the basis of brand name of the company. The study also reveals that only few investors study the financial data or reports of the companies while investing.

➢ The study also reveals that people expect return ranging between 10%-25% out of their funds invested in various investment alternatives, which is a sheer sign of optimism among investors.

Suggestions

➢ Investors should follow the ratings of credit rating agencies.

➢ Investors should carefully analyze the financial statements of the institutions to know the financial condition of the company so that good investment decision can be taken.

➢ They should invest in debenture or bonds because they are safer than shares and provide fixed rate of interest.

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Websites
www.google.com

Books

➢ Fischer, Jordon, “Security Analysis & Portfolio Management”.


➢ Fischer, Jordon, “Security Analysis & Portfolio Management”.

ANNEXURE

Questionnaire

Dear Sir/Madam,
This information provided by you will be utilized in completion of our MBA project.
We will be thankful for the time & effort you will spend in filling the questionnaire.

1. Where do you invest your money? (Can Tick More than One)
   - Mutual funds
   - Insurance
   - Property
   - Share market
   - Bank
   - Bonds

2. What would be your expected rate of return per annum?
   - Less than 10%
   - 10% - 15%
   - 15% - 25%
   - More than 25%

3. The main purpose of your investment is
   - Future Needs
   - Periodic return
   - Tax advantage
   - Speculative

5. What criteria you consider for selecting investment decision?
   - Brand name of the company
   - Annual reports of the company
   - Quarterly reports of the company
   - Word of mouth
   - Financial media
   - Personal preference

6. Are you having a DEMAT account?
   - Yes
   - No

7. Under which market condition you like to invest?
   - Bull market (up market)
   - Bear market (down market)
   - None of These

8. Whom you consult while investing.
   - Your friends and relatives
   - Financial Consultants
   - News papers and magazines

9. Do you currently follow the company ratings provided by credit rating agencies
   - Yes
   - No
10. The parameters adopted by credit rating agencies for evaluating a company’s financial performance is appropriate.

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

GENERAL INFORMATION

NAME : ____________________________

AGE : Below 20 ○ 21-30 ○ 31-40 ○ 41-50 ○ 51&above ○

QUALIFICATION : Undergraduate ○ Graduate ○
Post Graduate ○ Doctorate ○

OCCUPATION : ____________________________

CONTACT NO : ____________________________