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## AN EMPIRICAL STUDY ON BEHAVIOUR OF RURAL HOUSEHOLDS ON AWARENESS, SAVINGS AND INVESTMENTS IN KURNOOL DISTRICT OF ANDHRA PRADESH

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### ABSTRACT

*The financial markets and financial institutions are two competing mechanisms to channel savings to investment. The financial market score over financial institutions in the allocation efficiency, as they allocate savings to those investments, which have potential to yield higher returns. This inevitably leads to higher returns to savers on their savings and higher productivity on investments to enterprises. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on Investment behaviour of individual investors which includes the investors' perceptions and preferences, thus, assumes a greater significance in the formulation of policies for the development and regulation of security markets in general and protection and promotion of small and house-hold investors in particular. The study confine only Kurnool district and selected sample 300 sample were selected who are living in rural areas. In this context, the researcher has collected data on their behavior, awareness of saving and investment pattern in selected study area.*

### KEYWORDS

investment, savings, awareness, capital market.

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### INTRODUCTION

The financial markets and financial institutions are two competing mechanisms to channel savings to investment. The financial market score over financial institutions in the allocation efficiency, as they allocate savings to those investments, which have potential to yield higher returns. This inevitably leads to higher returns to savers on their savings and higher productivity on investments to enterprises. Hence to the extent economic growth depends on the rate of return on investments, capital market promotes economic growth.

Investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on Investment behaviour of individual investors which includes the investors' perceptions and preferences, thus, assumes a greater significance in the formulation of policies for the development and regulation of security markets in general and protection and promotion of small and house-hold investors in particular.

An understanding of the small investor behaviour constitutes the focal point for evolving suitable and effective strategies for development of securities markets in any country. The investor behaviour needs to be studied and analyzed from the dimensions like – What motivates a small investor to make an investment? How frequently he prefers to make investment? In whose name the investor would like to hold the investment? What factors are likely to affect the size and timing of his investments? And finally, what investment strategies, the small investors would like to normally adopt? An analysis all these dimensions hopefully would formulate the dimensions to determine the behaviour of investors.

### SIGNIFICANCE OF THE STUDY

Most of the investors generally have limited information about the developments in the securities market. Information about the financial performance of the companies and data of share market available to investor is also limited. The information available from newspapers, television and internet, media sometimes may not be sufficient for investment decision making. All these problems made them rely on share brokers, fund managers and experts to invest in securities. Investors desiring to invest in stocks require a lot of preparation and homework. It is very important for them to know their risk appetite and investment objectives for better decision-making.

Hence, the present study is an attempt to know the investment pattern of investors. The study is made to examine investor's awareness of investment avenues, investment objectives of investors and the evaluation of investment by the investors.

### OBJECTIVES OF THE STUDY

1. To study the theoretical background of capital markers.
2. To analyze the awareness, preferences, and experiences of rural household investors in respect of various investment avenues.
3. To draw the conclusions.

### METHODOLOGY OF THE STUDY

The present study is mainly based on primary and secondary data. The primary data were collected from the rural households in Kurnool district through well-structured Interview-Schedule, and secondary were collected from the various journals, books and university libraries.

### SAMPLING DESIGN

The study covers only one district in Rayalaseema region of Andhra Pradesh i.e., Kurnool district. The researcher has identified revenue divisions, and altogether 300 sample rural households were selected based on their investment, awareness and saving of individual investors. The data so collected will be analyzed by using appropriate statistical tools and techniques.

**CONCEPT OF INVESTOR AWARENESS**

Awareness is a continuing process by which investors come to learn about the investment particulars. In certain cases, they try to know about the modes clearly and eventually adopt it or reject it. Awareness is commonly described as the first step in the process of investment. When the investors are aware of the existence of numerous investment modes, his inquisitiveness stimulates him to seek more information about them. After becoming well versed of investment modes, the investors turn to evaluation of each channel by making comparison with each other. At last, the investor decides to make investment in an advantageous mode or modes. Thus, awareness creates attitude in investor towards investment channels. This sense of awareness of investor towards investment is created, modified and shaped by various external sources of information such as dailies, weeklies, electronic media, friends and relatives, brokers advice etc. awareness in an abstract concept and, hence, it is not possible to measure precisely and directly in quantitative terms, but can be measured and assessed indirectly.

The concept of investor awareness refers to the stage wherein a prospective investor is conscious of and is having the knowledge of the existence of an investment product or avenue for his consideration to place the savings.

**RESULTS****AWARENESS OF INVESTMENT AVENUES****TABLE 1: PARTICULARS OF AWARENESS OF INVESTMENT AVENUES (N= 300)**

S.No	Investment Avenues	Awareness			
		very well	well	some what	Don't know
1	Small saving scheme	124 (41.0)	117 (39.00)	45 (15.00)	14 (05.00)
2	Life insurance	135 (45.00)	111 (37.00)	39 (13.00)	15 (05.00)
3	Bank deposits	144 (48.00)	129 (43.00)	18 (6.00)	9 (3.00)
4	Company deposits	48 (16.00)	66 (22.00)	84 (28.00)	102 (34.00)
5	Bullion	132 (44.00)	81 (27.00)	60 (20.00)	27 (09.00)
6	Real estates	45 (15.00)	210 (70.00)	30 (10.00)	15 (05.00)
7	Mutual funds	39 (13.00)	51 (17.00)	87 (29.00)	123 (41.00)

Source: Field Survey

Note: Figures mentioned in parenthesis are percentages

To study the awareness of investment avenues among the investors, 10 investment products are identified and placed before the sample –respondents to ascertain their level of awareness in 4 levels, namely, know very well, know well, know somewhat, and do not know. The responses of the sample investors are tabulated and presented in table 4.1.

**An examination of the above table unveils the following facts:**

- Most of the respondents stated that they are highly aware (know very well) of investment avenues like Bank deposit (91 per cent), life insurance policies (45 per cent), bullion (44 per cent), and small saving schemes (41 per cent).
- Many of the respondents also expressed that they are well aware (know well) of investment opportunities such as real estate (70 per cent); bank deposit schemes (43 per cent); small saving schemes (39 per cent); and life insurance policies (37 per cent); and
- Majority of the sample investors expressed their unawareness (do not know) of investment avenues, which included mutual funds (41 per cent); company deposit (34 per cent).

**RANKING OF INVESTMENT AVENUES**

An attempt had also made to rank the various investment avenues placed before the investors based on their awareness from the higher to lower level of awareness. For this purpose, the responses given by the respondents are arranged into three levels of awareness, namely, high awareness, low awareness, and no awareness. The high level of awareness in respect of an investment product is obtained by combining the responses of sample investors, who expressed that they know very well and also know well. The low awareness of an investment avenue is identified with the response of the sample investors, who stated that they know somewhat. Similarly, no awareness of an investment avenue is identified with the response of do not know. Finally, basing on these three levels of awareness, the various investment avenues are ranked in the descending order of levels of awareness, i.e., from high to low.

**TABLE 2: LEVEL OF AWARENESS BASED ON INVESTMENT AVENUES**

S. No	Investment Avenues	Awareness		
		High	Low	No awareness
1	Bank Deposits	273 (91.00)	21 (7.00)	06 (2.00)
2	Real estates	255 (85.00)	30 (10.00)	15 (05.00)
3	Life Insurance Schemes	249 (83.00)	39 (13.00)	12 (04.00)
4	Small saving scheme	240 (80.00)	45 (15.00)	15 (05.00)
5	Bullion	213 (71.00)	60 (20.00)	27 (09.00)
6	Company deposits	117 (39.00)	84 (28.00)	99 (33.00)
7	Mutual funds	90 (30.0)	84 (27.0)	129 (43.00)

Source: Field Survey

Note: Figures mentioned in parenthesis are percentages

The following observation can be made from the information furnished in table 2.

The bank deposits as an investment channel dominates all other investment avenues. Out of 300 sample respondents, 273 respondents representing 91 per cent are expressed high awareness, 21 sample respondents (7 per cent of the total) stated low awareness, and the rest of the sample investors are no awareness)

Real estate as an investment avenue after the bank deposits and Life Insurance scheme with 83 per cent of the total respondents, who stated the high awareness of this investment channel and also small saving scheme 80 per cent are high aware, 15 per cent are low aware in the study.

TABLE 3: RANKING OF INVESTMENT AVENUE BASED ON LEVEL OF AWARENESS

Investment Avenues	Rank
Bank Deposits	1
Real estates	2
Life Insurance Schemes	3
Small saving scheme	4
Bullion	5
Company deposits	6
Mutual funds	7

Source: Field survey

From the above observations, it is clear that investment avenue like bank deposits (ranked one), real estate (ranked two) life insurance schemes (ranked three), small savings scheme (ranked four), bullion (ranked five) are very popular among the investors of Rayalaseema region and they are quite aware of these avenues while making investments. It is also significant to note that they are unaware or little aware of corporate investment channels like company deposits (ranked Six), and mutual funds (ranked seven). This certainly calls for better investor education programmes in this part of the state.

**MOTIVES OF INVESTMENT**

To identify the major motives of investment among the sample investors, five major motives such as –earning interest/dividend income, tax savings, capital gains, speculative profits, and other motives consisting of education and marriage of children, are placed before them and asked to indicate their preference in the descending order.

**INCOME –THE DOMINANT MOTIVE**

The primary motive of investment among the individual investors is to earn a regular income either in the form of interest or dividend on the investments made. The information furnished in table 4 Prove this fact.

TABLE 4: PRIMARY (FIRST PREFERENCE) MOTIVES OF INVESTMENT OF INDIVIDUAL INVESTORS

S. No	Motive of Investment	Number of Respondents	Percentage to total
1	Earning interest/dividend income	150	50.00
2	Tax savings	39	13.00
3	Capital Gains	24	8.00
4	Speculative gains	12	4.00
5	Others- Education and Marriage of Children	75	25.00
	Total	300	100

Source: Field survey

It is observed from the above table that 150 out of 300 sample investors constituting 50 per cent stated that their principal motive for investment is to earn interest/dividend income. The other motives like capital gain, tax benefits, and speculative profits are stated to be the secondary motives of investment.

Besides income, a significant number of sample investors, i.e., 75 out of total 300 sample investors (25 per cent) expressed that meeting the commitments of education and marriage of children is the next dominant motive of the investment among the investors. It is also significant to note from the information provided in table 4 that the investors did not attach much importance to the motives like capital gains and speculative profits instead they considered tax savings can be one of the motives of investment. This is rightly so, since most of the sample investors are full time salaried and self-employed persons.

TABLE 5: PERIODICITY OF SAVINGS OF SAMPLE SELECTED INVESTOR IN THE STUDY AREA

S. No	Periodicity	Number of Respondents	Percentage to total
1	Monthly	129	43.00
2	Quarterly	27	9.00
3	Half-yearly	66	22.00
4	Yearly	78	26.00
	Total	300	100

Source: Field survey

It may be noted from the data presented in table 5 that majority of the sample household investors preferred to adopt and follow monthly investment plans rather than the investment plans of other periodic intervals. It may be seen that 43 per cent of the sample investors expressed that they preferred monthly investment plans, and yearly plans (26 per cent), and half-yearly plans (22 per cent) follow this. An attempt is also made here to identify the factors responsible for the popularity of monthly investment plans by cross-tabulating these results vis-à-vis the monthly income and the employment category of the sample respondents.

TABLE 6: PERIODICITY OF SAVINGS OF SAMPLE SELECTED INVESTOR IN THE STUDY AREA

Income per annum	Periodicity of savings				Total
	Monthly	Quarterly	Half-yearly	Yearly	
Upto 3 lakhs	31 (52.00)	3 (5.00)	18 (31.00)	8 (13.00)	60 (100)
3-5 lakhs	44 (42.00)	11 (11.00)	13 (12.00)	36 (35.00)	104 (100)
5-7 lakhs	33 (37.00)	8 (9.00)	35 (24.00)	13 (30.00)	89 (100)
More than 7 lakhs	21 (45.00)	05 (10.00)	00 (00)	21 (45.00)	47 (100)
Total	129 (43.00)	27 (9.00)	66 (22.00)	78 (26.00)	300 (100)

Source: Field survey

Table 6 furnishes the data relating to periodicity of investment vis-à-vis the annual income of the sample investors. It may be clearly noted that the investors of all income groups have shown greater preference for monthly investments as compared to the investment plans of other periodicity. This indicates that without regard to the levels of monthly income, the investors preferred to channel their savings in to the investments on monthly basis. A part from monthly investment plans, the investors have chosen either annual or half yearly investment plans in large number in every income group. It can also be noted that quarterly investment plans are the least preferred choice of the investors.

TABLE 7: PARTICULARS OF TYPE OF INVESTMENT STRATEGY ADOPTED BY THE INVESTORS

S. No	Investment strategy	Number of Respondents	Percentage to total
1	Maximize returns with high chance of value fluctuation	57	19.00
2	Increase Portfolio value with less chance for loss	36	12.00
3	Strong asset growth with moderate value fluctuation	84	28.00
4	Maintain purchasing power which generate current income	69	23.00
5	Preserve principal rather than growth in assets	54	18.00
	Total	300	100

Source: Field survey

It is observed that the small investors are not very sure of their investment strategy and it appeared that they have failed to comprehend the purpose of an investment strategy. As a result, their opinion on this aspect is much divided and failed to reflect a definite conclusion. However, it is seen from the responses tabulated in the table 7 that a sizeable number of the sample respondents stated that they have adopted an investment strategy, which is likely to ensure a strong assets growth with moderate value fluctuation. Some more investors have expressed that they preferred to adopt an investment strategy that maintains purchasing power through generation of current income. These observations may need further validation through a detailed study to identify the investment strategy of the small and individual investors.

## CONCLUSIONS

Every individual investor possesses different mindset when they decide about investing in a particular investment avenue such as stocks, bonds, mutual funds, fixed deposit, real estate, bullion etc. In each life cycle stage, every individual desires his hard earned money to be invested in most secure and liquid avenue. However, the decision varies for every individual depending on their risk-taking ability and the purpose for which such investment is to be done. There is an explosion in the growth of middle class families due to double income group families and increase in number of working women, hence this group will play vital role in the investment market. Efforts should be made to attract the women investors by providing right information and knowledge about the investment market through advertisements.

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