

FINANCE INDIA

VOL XXIX NO. 3

SEPTEMBER 2015

ISSN 0970 - 3772

ARTICLES

- OPTIMAL DIVIDEND AND RETENTION POLICY WITH DIMINISHING RETURN ON EQUITY *Lawrence M. Fogelberg*
- INTER-LINKAGES BETWEEN RETURNS FROM STOCK EXCHANGES OF SOUTH ASIA *Gagan Deep Sharma and B.S. Bodla*
- A STUDY OF THE RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND IN THE THAI BOND MARKET *Somkid Yakean*
- CAPITALISING CROWD PSYCHOLOGY THROUGH INDEX INVESTING : AN EVIDENCE *Kanahalli Balappa and Sachin Balbhimrao*
- ECONOMIC CONSEQUENCES OF ACCOUNTING POLICIES IN THE FEDERAL REPUBLIC OF NIGERIA *Francis Kehinde Emeni*
- PERFORMANCE EVALUATION OF MUTUAL FUNDS IN INDIA *Joity Tomer and Nisar Ahmed Khan*
- PORTFOLIO TOMMORROW : A SAMPLE STUDY OF SATARA *Sarang S. Bhola and Vrushali B. Shah*
- FINANCIAL LITERACY LEVEL OF HIMACHAL PRADESH : A CASE STUDY OF SHIMLA *Vinod Negi and Karan Gupta*

ABSTRACTS OF DOCTORAL DISSERTATIONS

- INFORMATION EFFICIENCY OF INDIAN STOCK MARKETS *Renuka Sharma*
- A STUDY ON MICRO ENTERPRISES ESTABLISHED BY SELF HELP GROUPS IN KANYA KUMARI DISTRICT *T. Muthu Pandian*
- IMPLICATIONS OF WTO ON INDIAN COTTON TEXTILE INDUSTRY *P. Tirumala Rao*
- ENVIRONMENTAL DEGRADATION AND SUSTAINABLE DEVELOPMENT OF CHITTOR DISTRICT *P. Subramanyachary*
- A STUDY ON PATIENT'S LEVEL OF SATISFACTION OF THE SERVICES OF PRIVATE HOSPITALS IN ERODE DISTRICT *S. Indira*
- IMPACT OF MICROFINANCE ON WOMEN EMPOWERMENT : A STUDY OF MEGHALAYA *Benjamin F. Lyngdoh*

BIBLIOGRAPHY : FINANCING FISCAL DEFICITS

BOOK REVIEWS

ANNOTATED LISTINGS

CONTENTS OF CURRENT PERIODICALS

INDEX OF CURRENT PERIODICALS

STATISTICS

SEMINARS & CONFERENCES

PLACEMENTS

FINANCE INDIA

The Quarterly Journal of Finance

www.financeindia.org

FINANCE INDIA is the official publication of *Indian Institute of Finance*, published since 1987 regularly. The primary aim of the Journal is to promote research by disseminating the results of such research in Finance, Accounting and related areas. The Journal is intended to provide scholars a major platform for interdisciplinary study of various aspects of Finance.

The Journal publishes articles, research papers, abstracts of doctoral dissertations, contents of articles published in journals, book reviews, abstracts of books recently published, an extensive bibliography on one of the areas related to Finance, and statistics on Indian and World Economy (macro economic indicators, money and banking, international finance, public sector enterprises and industry), forthcoming seminar & conferences and placement positions in the world of finance.

The Journal is published four times a year in *March, June, September* and *December*.

The research studies published are given wide coverage in national and international media. They have been seriously considered, accepted and acted upon by the Governments and policy-making institutions. One of the studies on "Capital Flight" appeared as the Front Page "Lead" news in The Times of India (30th January 1997) and in The Hindustan Times (29th January 1997) apart from a series of others, including TV and Radio.

EDITORIAL CORRESPONDENCE

All correspondence relating to articles, research papers, etc. for FINANCE INDIA should be submitted to the Chief Editor, Prof. J.D. Agarwal or to Executive Editor, Prof. Aman Agarwal at the address given below.

All articles, research papers, book review, etc. should be original and must not be published elsewhere. As far as possible the articles and research papers should make positive contribution towards theoretical knowledge in the area of Finance and Accounting or alternatively should have a practical bias. All submissions are screened by the Managing Editor or a member of the Editorial Board and sent for blind review to expert(s).

IIF assumes no responsibility for the views expressed by the authors. All rights reserved, reproduction in any manner, in whole or in part, in English or in any other language, is not permitted without prior permission.

INSTRUCTIONS FOR AUTHORS

Please refer to Inside back page of the Journal for Instructions for submission of articles, research papers and abstracts of doctoral dissertations.

FINANCE INDIA

Indian Institute of Finance

45 A, Knowledge Park III, Greater Noida, UP 201308, INDIA

Phone : +91-120-6471004; 2323687 Mobile : +91-9811971002;

E-mail : aa@iif.edu OR aa@financeindia.org OR ya@iif.edu; Grams : INSTUFIN

SUBSCRIPTION INFORMATION : Rates for One Year (Four Issues)

	IN INDIA	ABROAD
Institutions	₹ 2400	US \$ / EURO 120
Individuals	₹ 2000	US \$ / EURO 100

Payment can be made via Demand Draft / Bankers Cheque in favour of "Indian Institute of Finance" payable at Delhi or through Bank Transfer - NEFT to "Indian Institute of Finance"; A/c No. 65075795019; State Bank of Patiala, Greater Noida IFSC Code: STBP0000830 or via Online at www.registration.iif.edu/OnlinePayment.html

ADVERTISEMENT INFORMATION

Rates Per Insertion (Full Page) Rs. 10,000 US\$/EURO 500

THE JOURNAL IS INDEXED / ABSTRACTED IN

Cabells Directory of Publishing opportunities in Accounting, Economics & Finance 1997-98, International Bibliography of Social Sciences of the London School of Economics and Political Sciences, EconLit, JEL on CD, e-JEL, The Journal of Economics Literature, ProQuest, Ulrich's Periodicals Directory™, Gale Directory of Publication and Broadcast Media, EDIRC, FI-ICP, ISID Research Reference of Institute of Studies in Industrial Development, All India Index to Periodical Literature by Nexus Information Services Company (NIS), Online Public Access Catalogue of Indian Institute of Management, Ahmedabad, South Asian Economic Abstract (SOASEA), British Library of Development Studies (BLDS) of Institute of Development Studies (UK), Information Bulletin on Management (IIM Ahmedabad), FinancialStep, Social Science Information Gateway (SoSIG), FinanceWise, ABDC (Australian Business Deans Council), Australia.

FINANCE INDIA

VOL XXIX NO. 3

SEPTEMBER 2015

ISSN 0970 - 3772

ARTICLES

- OPTIMAL DIVIDEND AND RETENTION POLICY WITH DIMINISHING RETURN ON EQUITY 785
Lawrence M. Fogelberg
- INTER-LINKAGES BETWEEN RETURNS FROM STOCK EXCHANGES OF SOUTH ASIA 793
Gagan Deep Sharma and B.S. Bodla
- A STUDY OF THE RELATIONSHIP BETWEEN MACROECONOMIC VARIABLES AND IN THE THAI BOND MARKET 819
Somkid Yakean
- CAPITALISING CROWD PSYCHOLOGY THROUGH INDEX INVESTING : AN EVIDENCE 833
Kanhalli Balappa and Sachin Balbhimrao
- ECONOMIC CONSEQUENCES OF ACCOUNTING POLICIES IN THE FEDERAL REPUBLIC OF NIGERIA 843
Francis Kehinde Emeni
- PERFORMANCE EVALUATION OF MUTUAL FUNDS IN INDIA 855
Joity Tomer and Nisar Ahmed Khan
- PORTFOLIO TOMMORROW : A SAMPLE STUDY OF SATARA 879
Sarang S. Bhola and Vrushali B. Shah
- FINANCIAL LITERACY LEVEL OF HIMACHAL PRADESH : A CASE STUDY OF SHIMLA 895
Vinod Negi and Karan Gupta

ABSTRACTS OF DOCTORAL DISSERTATIONS

- INFORMATION EFFICIENCY OF INDIAN STOCK MARKETS 911
Renuka Sharma
- A STUDY ON MICRO ENTERPRISES ESTABLISHED BY SELF HELP GROUPS IN KANYA KUMARI DISTRICT 921
T. Muthu Pandian
- IMPLICATIONS OF WTO ON INDIAN COTTON TEXTILE INDUSTRY 931
P. Tirumala Rao
- ENVIRONMENTAL DEGRADATION AND SUSTAINABLE DEVELOPMENT OF CHITTOR DISTRICT 937
P. Subramanyachary
- A STUDY ON PATIENT'S LEVEL OF SATISFACTION OF THE SERVICES OF PRIVATE HOSPITALS IN ERODE DISTRICT 947
S. Indira
- IMPACT OF MICROFINANCE ON WOMEN EMPOWERMENT : A STUDY OF MEGHALAYA 957
Benjamin Franklin Lyngdoh

- BIBLIOGRAPHY : FINANCING FISCAL DEFICITS** 967

Portfolio Tommorrow : A Sample Study of Satara

SARANGS. BHOLA*
VRUSHALI B. SHAH**

Abstract

Uncertainty of income in unpredictable future gives rise to attitude of investing from income already earned. An array of new age financial instruments is available with varying risks, returns, time periods and different combinations of various variables. Study aims to decipher investment pattern of investors in Satara District of Maharashtra State, India. Sample size is 1289 individual investors from Urban and Rural areas. Stratified quota sampling has been used. Stratification is done on the basis Socio-economic Classes to reflect representative population. Study highlights Existing Investment, Investment Inclination, Investment Objectives, Preferred Mode for Tax Saving, Sources of Information and Parameters Considered for Selecting Company of sample investors. Entire gamut of investment avenues available in Indian scenario has been considered. Hypotheses were tested using Independent Sample 't' Test, Mann-Whitney U test and One Sample 't' test. Results revealed from study would guide different stakeholders for betterment of services and product portfolio and thus to gain a strong foothold in competitive environment.

I. Introduction

IN THIS MODERN era, plethora of investment avenues are available to choose from for investors. These investment avenues satisfy various needs of investors regarding, return, safety, protection, tax benefit and the like. Investors consider various parameters while choosing an investment avenue and also the issue of an investment instrument. These investment decisions are based on information that is received from various sources. Present study is an effort to decipher the investment pattern of investors in Satara District of Maharashtra State, India. The data has been collected from 1289 individual investors during February- March 2011. The study intends to highlight the existing investment, Investment inclination in future, Investment objectives, preferred mode for Tax Saving, Sources of Information

* Associate Professor, Karmaveer Bhaurao Patil Institute of Management Studies and Research, Satara, Maharashtra 415001, INDIA.

** Assistant Professor, Karmaveer Bhaurao Patil Institute of Management Studies and Research, Satara, Maharashtra 415001, INDIA.

and Parameters considered for selecting the company. Entire gamut of investment avenues available in Indian scenario have been considered for study.

II. Review of Literature

A review of research work done on investment pattern reveals that researchers have tried to reveal the preference towards various investment avenues. Preferred investment avenues have been adjudged but studies relating to investment preference were found showing dearth. Researchers have also tried to probe into objectives and intentions of investors for making investment and also adjudged the sources from which they derive information. The synthesis of such review of research work performed earlier is presented herewith.

2.1 Preferred Investment Avenues

Every economy offers a set of investment instruments/avenues ranging from safe to risky its investments. Indian economy is also characterised by range of safe to risky investment avenues. Few investment instruments floated by Government fetch tax concessions. Choice of investment avenues is a subjective matter of individual investor. Few researchers have attempted to find out the preferred investment avenues in India. Samples have responded to the range of avenues offered to mark. No research covering entire range of investment avenues available to investors in India has been noticed. It can be inferred that Indian investors opt for traditional investment avenues.

On five point scale (Singh, 2006) found preference for different investment avenues as Gold with mean value 3.70, NSC schemes 3.45, PO schemes 3.42 have been ranked first, second and third. Real Estate 3.32, Shares/ Debentures 2.63 and Fixed Deposit 2.92 are the last ranked investment avenues. Shares and such avenues carrying risk are less preferred. It reveals that the common investment share for all the respondents is 14% Indian Stocks, 15% Bank Deposits, 32% Post Office Savings and PF, 28% Real Estate and 11% Other Investments (Srivastava, 2007). Real Estate, Mutual Funds, Insurance and Bank FD are preferred choices for investment ranging rank from one to four (Verma, 2008). Equity Shares occupy 5th position and next consequent places are occupied by PPF, Post Office, Bullions, Bonds, NSC and Commodities. Bank Deposits followed by PF, insurance and MF is at rank 4th (Rajeswari, 2001).

Mittal (2007) found that the Mutual Funds are highly preferred followed by Equities are the choices of investment. Real Estate and Bullions are third choice followed by Post Office Schemes.

Through review of reports and surveys it is revealed that traditional investment avenues rank high on preference list of investors.

The country currently has one of the highest saving rates in the world estimated around 30% of total income of which 10% is invested in Gold. Net retail investment in Gold has increased by 264% year on year to 93 tonnes. Net retail investment comprises individual's purchases of coins and bars

and accounted for 25% of Indian gold demand in the same period. There is growing domestic interest in gold investment, stimulated by a high savings ratio and increasing gold investment opportunities available to Indian investors. (World Gold Council, 2010).

A joint study by Price Waterhouse Coopers (PWC) and Urban Land Institute of India (ULI) has cited India as one of the emerging markets for real estate sector in the Asia Pacific region. The study classifies India as semi-transparent market in the Asia Pacific region, and ranks it 41st on a global transparency scoring scale. It places Mumbai (ranked 3rd), New Delhi (5th), and Bangalore (10th) among the top 10 prospective cities for real estate investment for the year 2011. (Economic Survey, 2010-11).

Reserve Bank of India (2010) reports that in the year 2008-2009 around 17.5% of savings Bank Deposits were contributed to total assets of all scheduled commercial banks in India which was found incremental to 26.9% in 2009-2010.

Insurance is perceived as a need and investment in Indian Scenario. Seventy eight per cent of the households are aware of life insurance, only 24 per cent households own a life insurance policy. The ownership is 38 per cent among urban households but a low 19 per cent among rural households (Shukla, 2010). Thus secondary data also confirms that Indian investors are akin towards Gold, Real Estate, Bank Deposits and Insurance as well.

2.2 Investment Objectives and Sources of Information

Investments are often done to suffice some purpose. Individuals may have different purposes to be sufficed by investment. Also while taking decision regarding investment, they rely on different sources. Some researchers have attempted to find out such purpose of investment and the sources from which information about investing is derived in domestic as well as international scenario. Synthesis of such research work attempted earlier is appended herewith. It can be inferred that obligations regarding family and self are major driving forces. Investors are also guided by Safety, Return, Liquidity, image of company, reputation and the like.

The coverage of health need and life risk cover for the family members are insignificantly different among the income group of policy holder but rest of them are significantly different due to the amount of their salaries (M. Kumar, 2010).

Money back policy is most known policy followed by unit linked policy, whole life policy, endowment policy and term policy. Fund options feature in ULIP is the most attractive feature followed by flexibility, transparency, liquidity and option for riders (Prasad, 2009).

While investing in MF, investors look for safety first followed by good returns, tax benefits, liquidity and capital appreciation (Rajeswari, 2001), meet future expenses, regular return, safety and diversified investment advantages and capital appreciation (Devasenathipathi, 2007). While selecting fund criterion viz. Market value, financial soundness, credit rating and economic scenario is seen respectively (Devasenathipathi, 2007). Factor

analysis revealed three factor i.e. intrinsic qualities of the product, portfolio management and image of company reveals from the variables executed for identification of product related factors in fund selection. Two factors i.e. infrastructure and reputation were extracted from the variables executed for identification of sponsor related factors in fund selection. Three factors i.e. subsequent disclosure, preliminary disclosure and fringe benefits were revealed from the variables executed for the identification of service related factors in fund selection (Rajeswari, 2001).

Significant relationship amount of investment and reasons of investment (Devasenathipathi, 2007). The typical behavioural approach has been adopted by (Ranganathan, 2006) to examine the related aspects of fund selection behaviour of individual investors towards mutual funds. The major findings of the paper are MF's and bonds were rated 'somewhat favourable' category on the scale with mean score 3.34 ranked after pension and PF the most popular instruments among investors. The major objective behind investment is 'to provide for retirement'. Open ended MF schemes are most preferred. Investors need for good return is highest among other features followed by safety, liquidity, tax benefit, capital appreciation, professional management and diversification benefits. Factor analysis is used to determine common constructs that represent investors concerns. The result of factor analysis revealed three distinct factors i.e. professional investors, image conscious investors and cautious investors. Convenience, risk protection, return and liquidity are the important components (Jayaba, 2010) while considering investment instrument.

Researchers found more appeal for sources involving interaction among investors as detailed herewith. Majority of investors base their investment decision on the advice of brokers, professionals and financial advisors. Impersonal sources like advertisement, reviews are least preferred (Singh, 2006). Haslem, 2008, identified four major reasons behind use of financial advisors by mutual fund investors. These are, first advisors have expertise which investors do not have, second is those investor most likely to use financial advisors are older investors with sizable financial assets and female decision making investors. Third is investors who receive lump sums of money and those experiencing major life events are among the most likely to seek the advice of financial advisors and fourth is financial advisors provide other investment and planning services.

Other factors like Financial Literacy and planning propensity also affects investment decisions. A study to determine the relationship of financial literacy and mutual fund investment behaviour concludes positive influence of financial literacy on the likelihood of investing on low cost fund alternatives (Muller, 2010). As the propensity to plan is also shown to be positively correlated with risk tolerance. Risk taking was also shown to be positively associated with income and somewhat negatively associated with age. Risk and investment decisions are associated. Gender, education, marital status, occupation and investment information influence an individuals risk taking propensity (Masters, 1989). Study found that people

who tend to be conservative to moderate in their investments tend also to be less inclined to take risks and people inclined to invest in more risky portfolios tend to display a higher risk taking propensity.

Review of Secondary Data also confirms the observations of researchers. Features in local dailies, financial magazines and web articles on financial reviews play an important role to generate financial literacy among investors. Investors in areas where these sources are not available prefer advises of learned persons in vicinity for investment decisions. Self research is most common way of managing finance. Many respondents take aid of Consultant, Parents and friends/colleagues (IMRB Survey 2011).

To conclude the review of studies undertaken earlier reveals that traditional investment avenues which carry safety and some kind of assured return are preferred. Some investment avenues like investment in Natural Resources, Commodity Market, Precious Stones, Company Deposits, Bonds, NBFC Schemes, Farm, Livestock and Farm House are not at all found to be considered by researchers. Sources involving interaction are preferred for investment advice.

III. Research Methodology

The study has used diagnostic research design and inferential approach to collect primary data. Study set to test following Hypotheses

Hypothesis H₀₁: *Actual Investment and Future Investment inclination of respondents is same*

Hypothesis H₀₂: *Tax saving, future obligations are major driving forces for investments.*

Study purports objectives i.e. to Study the existing investment pattern and investment inclination of investors, to find objectives for investment of investors and to explore the sources of Information and preferred parameters for selecting company for investment by investors.

Study is undertaken in Satara District, both Urban and Rural areas are covered. Entire range of available investment instruments in India and avenues have been taken for study.

Data regarding investment status of investors, inclination towards choosing investment avenue in future, investment objectives, preferred tax saving instrument, sources of information for investment and their reliability, parameters considered for investment decision and demographic information of investors was required for study was collected using primary sources i.e. from the field.

Also Information and data regarding earlier literature on the same subject, previous researches, information on investors association, available investment avenues, and investment products was collected through secondary sources.

The universe itself being large, stratified quota sampling has been used in order to obtain highest accuracy in results. Stratification is done on the basis Socio-economic Classes. These Socio-economic Classes are defined

on the basis of occupation and educational qualification in urban area and on the basis of Occupation and type of house in rural area.

Samples were approached conveniently from the selected geographical areas. Researcher and trained field investigators have collected entire data from the field.

Following Table I depicts actual sample size taken from Urban SEC for study

Table I
Samples Size for Urban & Rural Socio- economic Classes

Sr.	Particulars	Urban Socio- economic Class								Total
		A1	A2	B1	B2	C	D	E1	E2	
1.	Number of Classes	9	12	14	12	13	18	2	4	84
2.	Actual Samples	126	149	150	129	147	182	41	49	973
		Rural Socio- economic Class								
		R1	R2	R3	R4					
3.	Number of Classes	3	4	10	7					24
4.	Actual Samples	60	67	124	71					316
5.	Total Samples									1289

Source: Compiled by Researcher

Table I depicts actual sample size taken from Urban and Rural SEC for study Sample unit for this research were people who do any kind of savings (in terms of currency) and/or investment in the legitimate available instruments in India. Structured un-codified close ended schedule was prepared to take responses from samples. Schedule had 8 structures A to H.

Collected data has been fed in preconditioned electronic spreadsheet to avoid errors. Data has been analyzed using simple statistical tools such as Frequency, Percentage, Mean, Rank and Standard Deviation. Help of statistical software SPSS has been sought. For testing of hypotheses, Independent Sample 't' Test, Mann-Whitney U test and One Sample 't' test have been brought in use.

IV. Major Findings

4.1 Profile of Samples

In all 1289 samples were finally taken for study out of which 973 samples are from Urban area and 316 samples are from Rural area. Majority of respondents to the schedule were male. Entire ranges of age groups were given representation in research. The age groups ranging 29 - 47 year were found to participate in research in more numbers.

Entire range of income groups were taken for study and it was found that samples were spread over all income groups. Decision maker's income and family income are considered. Also the portion of amount from the income is saved by the investors has been sought in the form of saving percentage from their income. Around 11% samples have not disclosed their savings percentage. Almost all samples save some amount from their income ranging from 1% to 30%. Family type is also considered i.e. nuclear family or joint family. Almost the proportion of sample staying in joint

family is half of total samples. Family size is also considered for this research. Samples found to have family size ranging from small family size up to 4 members to reasonably big family size up to 8 members.

It can be said that while selecting samples due consideration is given to the set demographic factors.

4.2 Investment Made in Instrument

Gold is preferred by 81% samples followed by 78.20% sample preferring Bank Deposits for investment. Insurance is preferred by 69.28% samples whereas Real Estate is preferred by 49.42% samples and 49.03% samples prefer Post Office Schemes. Investment in Farm is preferred by 44.53% samples. Least preferred investments avenues are the investment in Derivatives 1.17% samples, Commodities 2.74%, bonds 4.50% samples and Company Deposits are preferred by 4.73% of samples. Investment in PF/PPF, credit society, Livestock and shares were found to be preferred by 37.24%, 29.33%, 24.83%, and 22.50% samples respectively.

Amount wise majority samples preferred Bank Deposits since average 22.71% of amount is invested by samples in Bank Deposits followed by 20.39% of amount is invested in Real Estate and 20.23% of amount is invested in Farm House. In Livestock, the investment is found about 19.47% and on rank 5th Gold holds 19.42% of investment. Minimum amount of investment is found in bonds i.e. 7.22% followed by Commodities 8.31%, Derivatives 8.33%, Life Style Items 8.84% and Natural Resources 9.76%.

4.3 Investment preferred in future

The same 22 investment options were marked by samples for their future investment inclinations. Almost all investment instruments are preferred reasonably by samples.

Majority of samples i.e. 89.68% prefer Gold, 89.37% Bank Deposits, 84.17% prefer Insurance, 76.42% prefer Real Estate, 75.10% prefer Farm and Farm house investment, 74.17% sample prefer Post Office Schemes and 65.17% prefer PF and PPF. Entire range of small savings avenues with safety and assured returns are preferred by majority of samples.

On the scale of importance, Bank Deposits and Real Estate are preferred with mean importance score of 4.23 each. Gold received 4.21 followed by Insurance with 4.12 on mean importance scale respectively. Farm House is on 3.93 importance scale. The least preferred investment instrument on importance scale is Derivatives with 1.95 score followed by NBFC scheme with 2.05 mean importance.

V. Objectives behind Investment

Sixteen objectives were offered to mark on the five scale of importance. Future Dependent Obligation is preferred by 95.50% of samples followed by Retirement Planning by 89.06% sample and Life and Health Insurance by 86.42% samples. Around 88% samples have preferred Acquisition of House Property. The least preferred objectives are investment for Philanthropy and religious causes, Acquisition of Farm Equipments and investment out of Social Responsibility.

On the scale of importance, Future Dependent Obligation has been at 4.56 mean score on rank 1 with S.D. is 0.75. Retirement Planning stands on second rank of importance with 4.15 mean with S.D. 1.08. Third important objective is Life and Health Insurance with mean score 4.08 with S.D. 0.94. The least important objectives are Investment for Religious Cause with 2.6 mean score and S.D. 1.16 followed by Acquisition of Farm Equipments with mean score is 2.81 and S.D. 1.36 and Social Responsibility with mean score is 2.83 and S.D. 1.20.

4.4 Preferred Instrument/Mode for Tax Savings

Twelve options were provided to opine on Instruments/Modes preferred by all samples for the purpose of tax savings. Life Insurance is preferred by 40.96% samples followed by 33.28% sample who prefer investment in PF/PPF and 32.82% prefer investment in Mediclaim for tax saving purpose. The least preferred Tax Saving instruments is IPO Shares i.e. by 15.28% samples followed by 19.16% sample which avail tax savings through Tuition Fees.

4.5 Sources of Information

Fourteen sources were offered for evaluation to samples. Most reliable source of information is Tax Consultants since they have received 4.07 mean score followed by Friends with mean score 4.05. Reliable source of information is on rank 3rd is Learned Person in vicinity with mean score 3.84 and on 4th rank it is Teacher with mean score 3.49. Standard Deviation of all these four sources of information is around 1. The least reliable sources of information is Cold Calls the mean score is 2.20, Television Ads with mean 2.66, Websites with mean is 2.68 and Newspapers with mean is 2.72.

4.6 Parameters Considered for Selecting Company

Eighteen parameters were offered to entire samples to mark their consideration while selecting a company for investing the funds. Most important parameter considered by entire sample investors is Trustworthiness of a company having mean importance score of 4.71 with S.D. 0.59 followed by Financial Strength of Promoters with mean score 4.42 and S.D. 0.67. On third rank is the parameter Service Quality with mean score of 4.30 and S.D. 0.93 followed by Reputation with mean 4.23 and S.D. is 0.89. The least important parameters are Option for Riders with mean 3.38, Succession Planning with mean 3.39, Major Investors in Company with mean 3.49 and range of services offered with mean 3.54.

V Hypotheses Testing

5.1 Hypothesis H_0_1 : Actual Investment and Future Investment inclination of respondents is same

The comparison of actual investment done by samples is made with future investment inclination to test the hypothesis. The comparison is made using Independent Sample 't' Test as follows.

Table II
Comparison of Actual Investment and
Future Investment of Entire Samples

Sr.	Particulars	N	Mean	Std. Deviation	Std. Error Mean
1	Actual Investment	22	13.7973	4.64892	0.99115
2	Proposed Investment	22	3.0295	0.79811	0.17016

Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of Difference	
								Lower	Upper
Equal variances assumed	62.454	.000	10.70	42.00	0.000	10.76	1.005	8.73	12.79
Equal variances not assumed			10.70	22.23	0.000	10.76	1.005	8.68	12.85

Table II shows that the test is significant, it means that there is significant difference into present investment and future inclined investment pattern.

The results are also verified with the help of Mann-Whitney U test as follows.

Sr.	Particulars	N	Mean Rank	Sum of Ranks
1	Actual Investment	22	33.50	737.00
2	Proposed Investment	22	11.50	253.00
	Total	44		

Present and Future Investment

Mann-Whitney U	0.000
Wilcoxon W	253.000
Z	-5.681
Asymp. Sig. (2-tailed)	0.000

The test is significant indicating significant difference in present and future inclined investments.

Hence, the Hypothesis that Actual Investment and Future Investment inclination of respondents is same, is rejected and it is inferred that there is significant difference in Actual Investment and Future Investment.

5.2 Hypothesis H₀₂: Tax Saving, future obligations are major driving forces for investments.

This Hypothesis is tested independently for Urban and Rural samples. Following Table shows objectives behind investment by samples in urban area.

Table III
Objectives behind Investment by Urban Samples
 (n = 973)

Sr.	Objective for Investment	Frequency	Percentage	Mean	Rank	S.D.
1	Retirement Planning	855	87.87%	4.25	2	1.01
2	Tax Saving	677	69.58%	3.23	11	1.33
3	Life & Health Insurance	816	83.86%	4.10	3	0.91
4	Future Dependent Obligations	921	94.66%	4.60	1	0.69
5	Acquisition of CAR , TV , LAPTOP, Assets	776	79.75%	3.28	10	1.05
6	Acquisition of House Property	847	87.05%	4.06	4	1.00
7	Capital Appreciation	682	70.09%	3.6	6	1.17
8	Development of Business	696	71.53%	3.61	5	1.34
9	Hedge Against Inflation	633	65.06%	3.35	8	1.15
10	Acquisition of Farm	755	77.60%	3.42	7	1.34
11	Acquisition of Livestock	662	68.04%	2.69	14	1.37
12	Working Capital formation	658	67.63%	3.35	8	1.33
13	Acquisition of Farm equipments	641	65.88%	2.67	15	1.33
14	Philanthropy & Religious Cause	638	65.57%	2.60	16	1.20
15	Social Responsibility	640	65.78%	2.82	13	1.21
16	Development of Farm	703	72.25%	3.11	12	1.41

Source: Field Data

Table III reveals that majority of samples have marked for almost all the objectives offered to them for choice.

Samples were asked to mark the objectives as per their perceived importance on five point scale. Mean score is calculated for each objectives and ranks are assigned on the basis of mean score.

Rank one stands for Future Dependent Obligation where 94.66% samples have marked their opinion. The mean score for the said objectives is 4.60 with standard deviation 0.69. It reveals that for 94.66% samples Future Dependent Obligation is the foremost important objective and the variation in rating the importance for that objective is 0.69. The objective Future Dependent Obligation lies on 1st rank in the 16 offered objectives.

The objective Tax Saving is marked by 69.58% of samples. On the scale of importance its mean score is 3.23 with standard deviation is 1.33. The mean score of importance is less with reasonably high standard deviation. The objective Tax Saving gets 11th rank among 16 offered objectives.

While making provisions to suffice Future Dependent Obligations samples prefer to invest in life Insurance (42.45%) on priority followed by PF/PPF (34.33%) and Mediclaim (32.58%). All these are tax saving instrument but the object behind investing in these instruments is not tax saving but to suffice future obligations. The risk involved tax saving instruments is obviated like IPO shares (16.24%).

5.2.1. *The hypothesis is further tested using One Sample 't' test independently for urban and rural samples as follows.*

5.2.1.1 *For urban samples*

Hypothesis H₀ is Tax Saving, future obligations are major driving forces for investments.

Tax savings = H_0 is $\mu \leq 3$

H_1 is $\mu \geq 3$

And for future dependent obligations

H_0 is $\mu \leq 3$

H_1 is $\mu \geq 3$

Table IV
Descriptive Statistics for Tax Savings and
Future Dependent Obligation with Urban Samples

Objectives behind Investment	N	Mean	Std. Deviation	Std. Error Mean
Tax Savings	677	3.23	1.330	0.051
Future Dependent Obligations	921	4.60	0.695	0.023

Source: Compiled by Researcher

Table IV shows that 677 samples have opined on the importance of tax savings in investment whereas 921 samples opined on future dependent obligations. The mean score of importance of tax savings is 3.23 whereas it is 4.60 for future dependent obligations. The standard deviation is also high for Tax Savings 1.33 as compared to Future Dependent Obligation is 0.695.

TableV
One Sample 't' Test for Tax Savings and Future Dependent Obligation
with Urban Samples

Objective Behind Investment	t	Df	Test Value = 3			
			Sig. (2-tailed)	Mean Difference	99% Confidence Interval of Difference	
					Lower	Upper
Tax savings	4.452	676	.000	.227	.10	.36
Future Dependent Obligations	70.030	920	.000	1.604	1.54	1.66

Source: Compiled by Researcher

Table V shows that the mean value of tax savings is 3.23 which are little above the assumed mean 3. With future dependent obligation the mean value is 4.60 which is much above assumed mean 3. One sample 't' test is significant at 99% confidence level hence the null hypothesis is rejected and alternative hypothesis is accepted in both the cases.

It means that with urban population tax savings and future dependent obligation are the driving forces for investment but future dependent obligation is the major driving force over tax savings.

5.2.2 *For Rural Samples*

Following Table VI shows objectives behind investment by samples in Rural area.

Table VI
Objectives behind Investment by Rural Samples

Sr.	Objective for Investment	Frequency	Percentage	Mean	Rank	S.D.
1	Retirement Planning	293	93%	3.86	3	1.23
2	Tax Saving	277	88%	2.50	16	1.33
3	Life & Health Insurance	298	94%	4.04	2	1.00
4	Future Dependent Obligations	310	98%	4.42	1	0.88
5	Acquisition of CAR, TV, LAPTOP , Assets	302	96%	3.15	12	1.03
6	Acquisition of House Property	299	95%	3.79	4	1.10
7	Capital Appreciation	297	94%	3.46	7	1.25
8	Development of Business	295	93%	3.53	6	1.31
9	Hedge Against Inflation	290	92%	3.25	11	1.25
10	Acquisition of Farm	302	96%	3.71	5	1.26
11	Acquisition of Livestock	301	95%	3.33	10	1.39
12	Working Capital formation	299	95%	3.36	9	1.28
13	Acquisition of Farm equipments	293	93%	3.12	13	1.39
14	Philanthropy & Religious Cause	288	91%	2.59	15	1.08
15	Social Responsibility	289	91%	2.84	14	1.16
16	Development of Farm	299	95%	3.41	8	1.40

Source: Field Data

It reveals from Table VI that majority of samples have marked for entire set of objectives offered to them for choice.

Rank one stands for Future Dependent Obligations where 98% rural samples have marked this objectives with 4.42 mean important score and standard deviation is 0.88 which is the lowest amongst standard deviations for other objectives. It reveals importance of this objective to Rural samples.

Tax savings is the objective marked by 88% samples with 2.50 mean importance and standard deviation is 1.33 which is reasonably high. The mean importance score is 2.50 it means that it lays even below the balancing mark of scale i.e. 3.

While providing for Future Dependent Obligations Rural samples prefer to invest in life Insurance and Mediclaim.

The response of samples on five point scale stating importance of objectives are also tested using One Sample 't' test as follows for rural samples

Hypothesis H_0 is Tax Saving, future obligations are major driving forces for investments.

$$\text{Tax savings} = H_0 \text{ is } \mu \leq 3$$

$$H_1 \text{ is } \mu \geq 3$$

And for future dependent obligations

$$H_0 \text{ is } \mu \leq 3$$

$$H_1 \text{ is } \mu \geq 3$$

Table VII
Descriptive Statistics for Tax Savings and
Future Dependent Obligation with Rural Samples

Objectives behind Investment	N	Mean	Std. Deviation	Std. Error Mean
Tax Saving	B2 277	2.50	1.326	0.080
Future Dependent Obligations	B4 310	4.42	0.884	0.050

Source: Compiled by Researcher

Table VII shows that 277 samples have opined on the importance of Tax Savings in their investment whereas 310 samples opined on Future Dependent Obligations. The mean score of importance of Tax Savings is 2.50 whereas it is 4.42 for future dependent obligations. The standard deviation is high for tax savings 1.32 as compared to Future Dependent Obligation is 0.884.

Table VIII
One sample 't' test for tax savings and
Future Dependent obligation with rural samples

Objective Behind Investment	t	Df	Test Value = 3		99% Confidence Interval of Difference	
			Sig. (2-tailed)	Mean Diff erence	Lower	Upper
Tax Savings	-6.253	276	0.000	-0.498	-0.70	-0.29
Future Dependent Obligations	28.269	309	0.000	1.419	1.29	1.55

Source: Compiled by Researcher

Table VIII shows that the mean value of tax savings is 2.50 which is little below the assumed mean 3. With future dependent obligation the mean value is 4.42 which is much above assumed mean 3. One Sample 't' Test is significant at 99% confidence level hence the null hypothesis is accepted in the case of Tax Savings and null hypothesis is rejected in the case of Future Dependent Obligations.

It means that with rural population Tax Savings is not the driving force for investment but Future Dependent Obligation is the major driving force over tax savings.

From above discussion, it can be inferred that the hypothesis Future Dependent Obligation is driving force for investment for rural and urban samples but Tax Savings is driving force for Urban samples only. Hence the null hypothesis is rejected in case of Future Dependent Obligations and accepted for Tax Savings.

VI Suggestions

Suggestions are offered for different stakeholders on the basis of findings based on primary data collected for study and supportive secondary data collected from published reports by Government and Research agencies.

Suggestions are presented for different stakeholders separately

6.1 *Suggestions for Government Agencies*

Government Agencies should take measures for enhancing their service quality to retain existing investor base and attract new investors.

As the responses of samples investors reveal that there is no awareness or very less awareness about some investment avenues, measures should be taken to spread awareness about all investment avenues available in Indian scenario which in turn would attract the flow of funds in main stream economy.

Increasing tangibility of services in respect of existing products would help to strengthen existing investor base and attract more investors.

6.2 *Suggestions for Non Banking Financial Companies*

NBFC's should probe in to find out reasons for this averse inclination of sample investors. Investment in NBFC's is perceived as risky as compared to other avenues. Steps must be taken to ensure more transparency in working and fulfillment of all legal requirements. Also the most preferred parameters for investors choosing NBFC is Service Quality. NBFC's should maintain high standards of service quality for future growth.

6.3 *Suggestions for Issuers' and Marketers of Financial Instruments*

Gold has found a place in investment portfolio of every age group, every income group of sample investors. Investment products with Gold as underlying security would be very well received in market.

Information about Investment products should be made available by approaching investors through Financial Advisors and Consultants. Cold Calls should be avoided for soliciting investment. Preferably, Cold calls should be modified as information transmitter and not as customer solicitor.

Range of Services Offered and Option for riders do not get a place in preferred parameters of sample investors indicating that Service Quality is their foremost criteria. Hence, Service Quality for financial product should be highlighted.

6.4 *Suggestions for Individual Investors*

Individual investor should opt for thorough financial planning. It was observed during course of study that sample investors opted for various investments avenues as a part of herd behavior, doing it just because theirs kith and kin are doing it. Investors should review the risk associated with investment, obligation it fulfils, time horizon it serves, mode of realization, aspect of taxation add on features if any and the like. Various companies are offering numerous financial products. A comparison of financial products offered by these companies for decision making should be a thumb rule.

References

- Devasenathipathi T., P. S., (2007), "Awareness and Perception of People towards Mutual Funds at Coimbatore City", *Indina Journal of Finance* , pp. 31-36.
- G.Jayaba, K. R. , (2010), "Segmentation of Investors Based on Choice Criteria" *The IUP Journal of Behavioural Finance* , pp. 76-91.
- GOI-MF, (2011), "The Economic Survey 2010-11", The ministry of finance, Government of India, 2011
- Haslem, J. A. , (2008), "Why Do Mutual Fund Investors Employ Financial Advisors?", *The Journal of Investing* , pp. 91-94.
- Intuit- IMRB Survey and C Bajaj, (2011), "How Indians Save", *The Week The Wallet* , pp. 10-17.
- M. P. Pandi Kumar, V. M. , (2010), "A Study on the Preferences of LIC Policy Holders Towards Acquisition of Policies", *Indina Journal of Finance* , pp. 35-42.
- Masters, R. , (1989), "Study Examines Investors' Risk Taking Propensities", *Journal of Financial Planning*, pp. 151-155.
- Mittal, A. D. Manish, (2007), "Gender Difference in Investmetn Risk Taking : An Empirical Study", *The IUP Journal of Behaviorual Finance* , Vol. IV. No. 2, pp. 32-42.
- Prasad, S. H. J. Chandra , (2009), "Unit Linked Insurance Plans - The Tasters' Percentions on the Mixed Ban of Fruits", *Indian Journal of Finance* , pp. 42-52.
- Rajeswari, T. R. and V.E.R.Moorthy, (2005), "An Empirical Study on Factors Influencing the Mutual Fund/ Scheme Selection by Retail Investors", *Indian Capital Markets - Trends and Dimensions* , (ed), Tata McGraw-Hill, Delhi.
- Ranganathan, K. , (2006), "A Study of Fund Selection Behaviour o fIndividual Investors Towards Mutual Funds: with reference to Mumbai City", *The IUP Journal of Behavioral Finance* , Vol. 3, No. 2, pp. 63-88.
- RBI, (2010), "Report On Trend and Progress Of Banking In India 2009-10", Reserve Bank Of India, Mumbai.
- Sebastian Muller, M. W., (2010), "Financial Litercy and Mutual Fund Investments: Who Buys Actively Managed Funds?", *SBR* , pp. 126-153.
- Shukla, Rajesh, "How India Earns, Spends and Saves: Unmasking the Real India", SAGE and NCAER-CMCR, Delhi, 2010, pp. 202.
- Singh, S. C. Jaspal, (2006), "Investor's Preference for Investment in Mutual Funds: An Empirical Evidence", *The IUP Journal of Behavioural Finance* , pp. 7-17.
- Srivastava, A. , (2007), "An Analysis of Behaviour of Investor in India", *The IUP Journal of Behavioural Finance* , Vol. IV. No. 2, pp. 43-51.
- Verma, M., (2008), "Wealth Management and Behavioural Finance: The Effect of Demographics and Personality on Investment Choice Among Indian Investors", *The ICFAI University Journal of Behavioural Finance* , Vol. V No. 4, December 2008, pp 31-57.
- WGCR, (2010), *India Heart of Gold Revival* , World Gold Council Report, p.4