SAVINGS BEHAVIOUR AND INVESTMENT PREFERENCES IN RURAL HOUSEHOLDS IN KURNOOL DISTRICT : AN EMPIRICAL STUDY

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ABSTRACT

The capital market is an important constituent of the financial system. It is the market both debt and equity for long term funds. Generally, it is mainly deals with financial assets, excluding currency. The financial assets comprises shares, mutual funds, bonds, pension funds, fixed deposits, insurance policies, provident fund and derivatives. The Indian Stock Exchanges are well regulated, functioning smoothly and it is the indication of healthy capital market. The financial markets and financial institutions are two mechanisms of channel from 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 savings behavior and Investment preferences of individual investors which includes the investors' perceptions and preferences. It assumes a most significance in the formulation of policies for the development and regulation of security markets . This study only confines to Kurnool district in Andhra Pradesh and 300 samples 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.

Key words: Capital market, Savings behavior, Investment

INTRODUCTION

The Indian securities market has made substantial progress during the post-independence period. The structure as well as the functioning of Indian securities market has been transformed beyond recognition since 1990s. The profile of the investing public, investment vehicles available, the investment environment and the nature of problems encountered by the small and household investors are substantially different today from what they were a decade ago. The Indian capital market has grown so sharply in the 1990's and that the decade itself has been christened as a decade of the capital market. However, the amount of capital raised in the form of equity, preference shares and debentures by the corporate sector has not been large over a number of years. It is extremely important for the policy makers and regulatory authorities to understand the investors' perceptions, preferences and their concerns about the financial markets and specifically on the stock market. 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. 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.

SIGNIFICANCE OF THE STUDY

It is clear that, not many studies have been undertaken exclusively to study the perceptions, preferences, and behaviour of the small and household investors, a very crucial area in the formulation of policies and procedures for the orderly growth and development of securities markets in any nation. Most of the studies reviewed above have mainly covered the aspects at macro level, like the ownership patterns in the capital market, occupation-wise break up of paid up value of share holdings of individuals, ownership pattern of shares/ debentures, geographical distribution of share ownership in India. There are only a few studies covering the issue of investor perceptions and behaviour at micro/regional level. Especially in the context of decline in the participation of small and household investors in the primary market operations, withdrawal of investors from the capital market, diversion of household savings into safer investment avenues like bank deposits, real estate, and unproductive assets like gold and silver, it becomes all the more important to study and analyze the investor awareness, perceptions and preferences of various investment avenues available to them in the securities markets. This may help the policy makers in evolving the suitable strategies to get small and household investors once again in large numbers into the capital market operations. Hence, the present investigation is an attempt in that direction. The issues investigated in the present study include awareness of investment avenues, investment pattern, the most preferred objectives of investors, and investment evaluation. 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 trace out the trends in capital market operations with special emphasis on protection of interest of small households investor.

2. To examine and study the causes for variations in savings.

3. To analyse the awareness, preferences and investment patterns of rural households.

METHODOLOGY OF THE STUDY

The present study is based on both primary and secondary data. The primary data have been collected from selected sample households through a structured interview schedule and by conducting personal interviews from Kurnool district of Andhra Pradesh. However, the secondary data were also be made use of wherever it is necessary. The relevant secondary data have been collected from the reports, books, journals, magazines, periodicals, dailies, and websites. The data and the information collected with the help of the schedule will be processed and analyzed by using SPSS software.

SAMPLE DESIGN

The Kurnool district is one of the drought prone and backward district in Andhra Pradesh. But when compared to other districts in Rayalaseema, Kurnool district is educationally and industrially developed. For the purpose of research study, the researcher divide the Kurnool District into three regions, based on level of development in terms of area of irrigation and rainfall. Hence the present study covers the areas, Nandyala, Dhone and Adoni. Nandyal region is agriculturally and industrially developed through sufficient water facility and rainfall. Dhone is the another region which is less developed because of there is no water facility, less rainfall and less industries. In case of Adoni region, which is medium developed in all dimensions. Hence, the researcher has identified and selected high, medium and low developed regions. In each region 100 samples were collected in five villages through Field Survey method in simple random technique. Altogether, 300 samples were collected in three regions for empirical analysis.

REVIEW OF LITERATURE

According to a study on "Indian Households Investors Survey"[1] by society for Capital Market Research and Development for Ministry of Company Affairs, "these problems get manifested in the erratic of discouraging or even driving away the genuine investors from the market. The study was based on a sample of 5900 investors spread over 90 cities and town in 24 states. The RBI[3] conducted three sample surveys in 1959, 1965 and 1978 to analyse the ownership pattern of shareholdings. A comparison of the findings of these three surveys indicated that during 1959 to 1978, the number and proportion of individual shareholders showed an increasing trend, but in terms of the paid-up value by individual shareholders, the percentage declined. It indicated that in spite of an increase in their number, the individual shareholders lost their share in corporate shareholdings in favour of institutional investors i.e., IDBI, IFCI, ICICI, UTI, LIC and GIC whose shares showed an increasing trend. The holding of joint stock companies slightly declined in 1965, but increased in 1978. The government and semi-government bodies showed a mixed trend and constituted a completely low proportion.

The RBI conducted a survey in 1978 which gives the data relating to occupation wise breakup of paid - up value of shareholdings of individuals in 336 companies. The finding of the survey indicates that professionals and self-employed persons with 8.48 lakh accounts held Rs.150.53 crores or about one-third (32.3 percent) of the total value of shareholdings

of individuals. Individuals with miscellaneous occupations, grouped under others, ranked second and held 24 percent of the share capital. Salaried persons held the largest number of accounts (29.9 percent amounting to 7.75 lakh accounts) but represented only 19.5 percent in value of the individual shareholdings. Persons engaged in household work accounted for 21.3 percent (5.6 percent accounts) and hold a little less than 20 percent of the value of individual holdings. The number of accounts and the value of shareholdings of farmers are rather insignificant. A sample survey conducted by Naresh Kumar[6] of the Management Development Institute, New Delhi, on behalf of the ICICI has thrown light on the geographical distribution of share ownership in India. The data pertains to 1983-84. The findings of the study show that the metropolitan cities have a dominant share in share ownership. Twelve major cities accounted for 20 per cent. The study also pointed out that the very meager share of small towns in the country's shareholding population is on account of lack of infrastructure facilities.

The Bombay Stock Exchange conducted a study on the present position of stock market in India. The study covered 1847 companies out of 2275 companies listed with Bombay Stock Exchange as at the end of March 1989. The survey found that out of the 1847 companies studied, only 26 companies have more than one lakh shareholders each. While another 45 companies have shareholders ranging from 50,000 to 1, 00,000 and in other cases it is much less.

INVESTMENT AWARENESS CONCEPTS

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 turns 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 investors is conscious of and is having the knowledge of the existence of an investment product or avenue for his consideration to place the savings.

Table 1: Particulars of Awareness of investment avenues

S.No	Investment Avenues	Awareness			
		very well	well	some what	Don't know
1	Small saving scheme	130 (43.33)	105 (35.00)	35 (11.66)	30 (10.00)
2	Life insurance	150 (50.00)	105 (35.00)	30 (10.00)	15 (05.00)
3	Bank deposits	136 (45.33)	130 (43.33)	22 (7.33)	12 (4.00)
4	Company deposits	43 (14.33)	75 (25.00)	82 (27.33)	100 (33.33)
5	Bullion	135 (45.00)	87 (29.00)	67 (22.33)	11 (03.66)
6	Real estates	55 (18.33)	195 (65.00)	35 (11.66)	15 (05.00)
7	Mutual funds	45 (15.00)	38 (12.66)	95 (31.66)	122 (40.66)

Source: Field Survey N= 300

(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 1.

An examination of the above table unveils the following facts:

a) Most of the respondents stated that they are highly aware (know very well) of investment avenues like Bank deposit (45.33 per cent), life insurance policies (50 per cent), bullion (45 per cent), and small saving schemes (43.33 per cent).

b) Many of the respondents also expressed that they are well aware (know well) of investment opportunities such as real estate (65 per cent); bank deposit schemes (43.33 per cent); small saving schemes (35 per cent); and life insurance policies (35 per cent); and

c) Majority of the sample investors expressed their unawareness (do not know) of investment avenues, which included mutual funds (40.66 per cent); company deposits (33.33 per cent).

Table 2: Opinion of participants of investment decisions

S. No	Participants	Number of Respondents	Percentage to total
1	No assistance- Own decision	72	24.00
2	Family members	126	42.00
3	Consultants	36	12.00
4	Friends	66	22.00
	Total	300	100

Source: Field survey
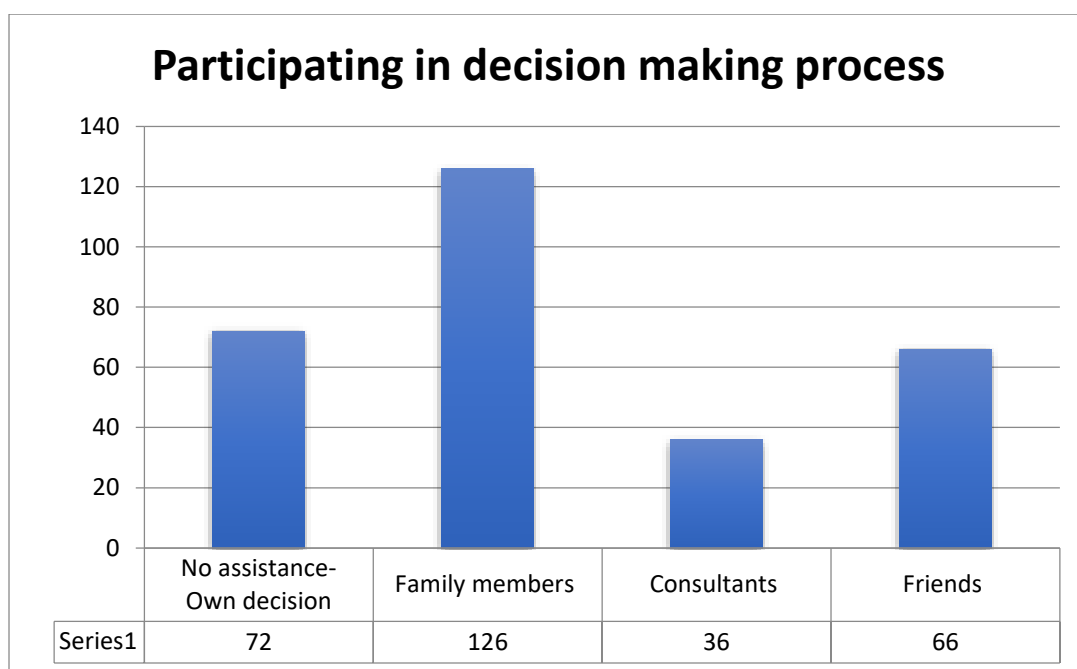
Figure1

It can be found that the table depicted that opinion of the sample respondents on taking investment decision by supporting someone in the study area is presented in table 2 It can be further found that out of 300 sample investors, 24 per cent of the sample respondents are taking decision by him/her self, 42 per cent of the sample investor respondents are taking suggestions from their family members, 12 per cent of them are consulting consultants before taking investment decision and rest of the sample respondents are taking suggestions from their friends and it is representing 22 per cent in the study area.

It can be concluded from the study that majority of the sample respondents have taken investment decision by their family members.

In capital market phenomena, every investor have been collected huge information from the various consultants, predicting, understanding and analysed. After analyzing or consult the consultant they were invested in various dimensions. To verify this commonly observed phenomenon, the sample investors are asked to indicate whether they took the advice of any investment consultant or a broker/an agent before the investments are made. Their response are recorded and presented in table 3.

Table 3: Role of consultants and external agents

S. No	Type of consultants	Number of Respondents	Percentage to total
1	Brokers	6	2.00
2	Stock Exchange members	12	4.00
3	Agents	30	10.00
4	Representatives of organizations	7	2.33
5	Not applicable	245	81.67
	Total	300	100

Source: Field survey

Figure 2
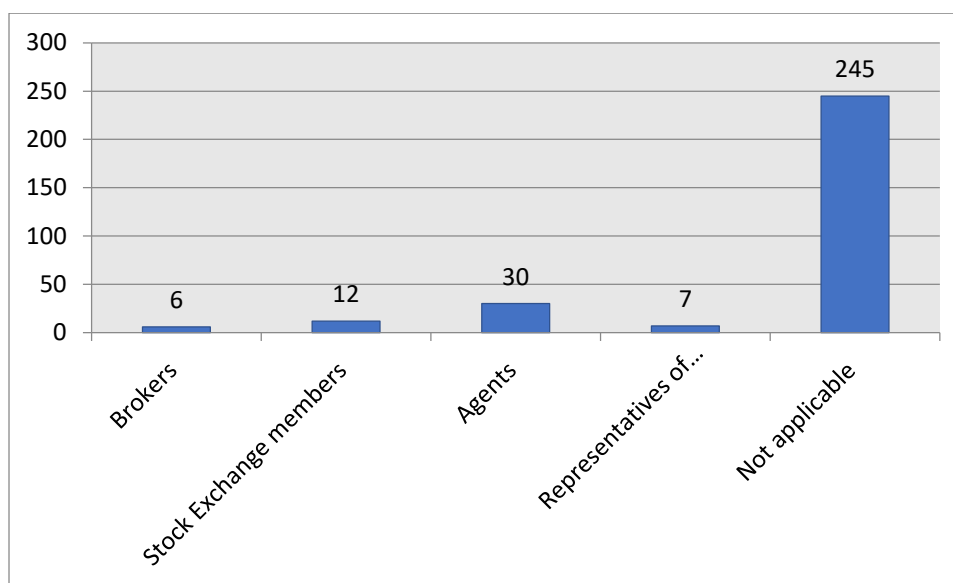
The above table reveals that the opinion of the respondents on the role of consultants and external agents in the process of the investment decision by the selected sample respondents in the study area like Kurnool district of Andhra Pradesh. It can be found that, out of 300 sample respondents, 245 sample investors did not taken any information or advice from the any one and rest of the sample respondents are depends upon various intermediaries like brokers, stock exchange members, agents and representative of organization etc.

It is further found that, few investor are depends on various consultants because of they don't have any idea about capital market and rest of investors are taken own decision or taken information from friends, relatives, family members while investing in other investment avenues like bank deposits, fixed deposits, Lie and Real estates etc.

"The every basic nature of the investors is likely to determine the investor expectations about the future income and savings, likely changes in them, and the resultant behavior of the investors". The data concerning the basic nature of the investors selected as sample for the purpose of the present study is furnished in table 5.10

Table 4: Basic nature of sample investors

S. No	Nature	Number of Respondents	Percentage to total
1	Cautious	78	26.00
2	Objective	102	34.00
3	Optimistic	72	24.00
4	Competitive	48	16.00
	Total	300	100

Source: Field survey

Figure3

Basic nature of sample investors

	Cautious	Objective	Optimistic	Competitive
Series1	78	102	72	48
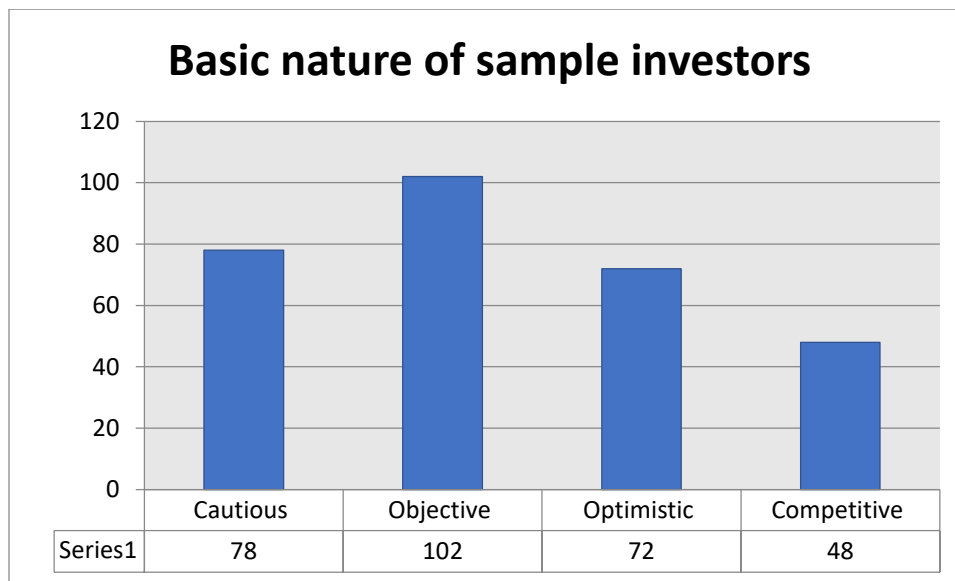
The data of table 4 reveals that 34 per cent of the sample investors identified their nature as objective, while nearly 26 per cent were stated to be cautious and 24 per cent are said to be optimistic. Therefore, the investors chosen for the purpose of the study may be identified as objective, cautious, and optimistic in their approach to the investments. This nature of the sample investors is bound to influence and shape the behavior of the investors as far as the expectations of future income and savings are concerned.

Table 5: Expected change in income in future

S. No	Extent of change	Number of Respondents	Percentage to total
1	A moderate increase	138	46.00
2	A substantial increase	102	34.00
3	A decrease	15	5.00
4	No change	42	15.00
	Total	300	100

Source: Field survey

Figure 4

Changes of income

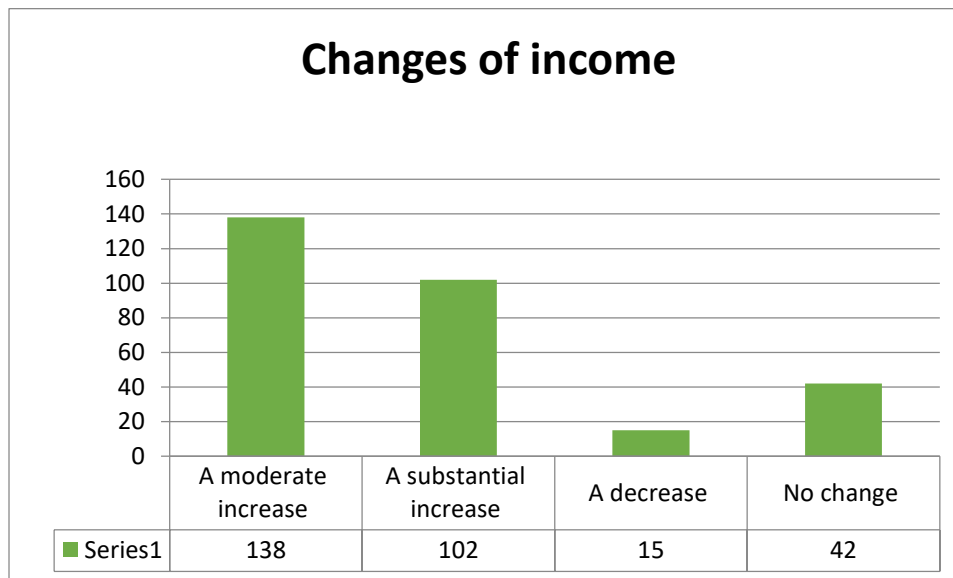| Series1	A moderate increase	A substantial increase	A decrease	No change
	138	102	15	42

Table shows that the opinion of the sample respondents on their expected income levels after investment in the study area. In this direction, the researcher has put some questions to the respondents like your income has increased moderately, a substantial increased, decreased and no change.

Majority of the investors are having positive dimensions about increases of their income in future and it indicate 46 per cent, 34 of the sample respondents have said that a substantially increased income in next few years, 15 per cent of the respondents tender their opinion neutral (no change) and rest of the sample respondents have expressed their opinion that their income has decreased.

Table 6: Investment monitoring by the investors

S. No	Focus of attention	Number of Respondents	Percentage to total
1	The individual instruments that are doing poorly	150	50.00
2	The recent results of my overall portfolio of investment	36	12.00
3	The longer term progress of my investment portfolio	54	18.00
4	The individual instruments that are doing very well	60	20.00
	Total	300	100

Source: Field survey

The researcher has collected data from the investors relating to monitoring of their investment on time –to-time in the study area. The researcher has given the statements relating to monitoring like (a) Individual instruments that are doing poorly, (b) Recent results of my overall portfolio of investment, (c) Longer term progress of my investment portfolio and (d) Individual instruments that are doing very well. It is quite interesting that 50 per cent of the sample respondents has stated that individual instruments that are doing poorly, followed by 20 per cent of the sample

households stated that individual instruments that are doing very well and 18 per cent of the sample households has says that longer term progress of my investment portfolio and rest of them recent results of my overall portfolio of investment in the study area.

Table 7: Durable and assets-investment activity of the sample investors

S. No	Name of the activity	Number of Respondents	Percentage to total
1	Both bought and sold	225	75.00
2	Only bought	54	18.00
3	Only sold	21	07.00
4	No deal	--	--
	Total	300	100

Source: Field Survey

Figure 5

Respondents opinion on investment of durable goods
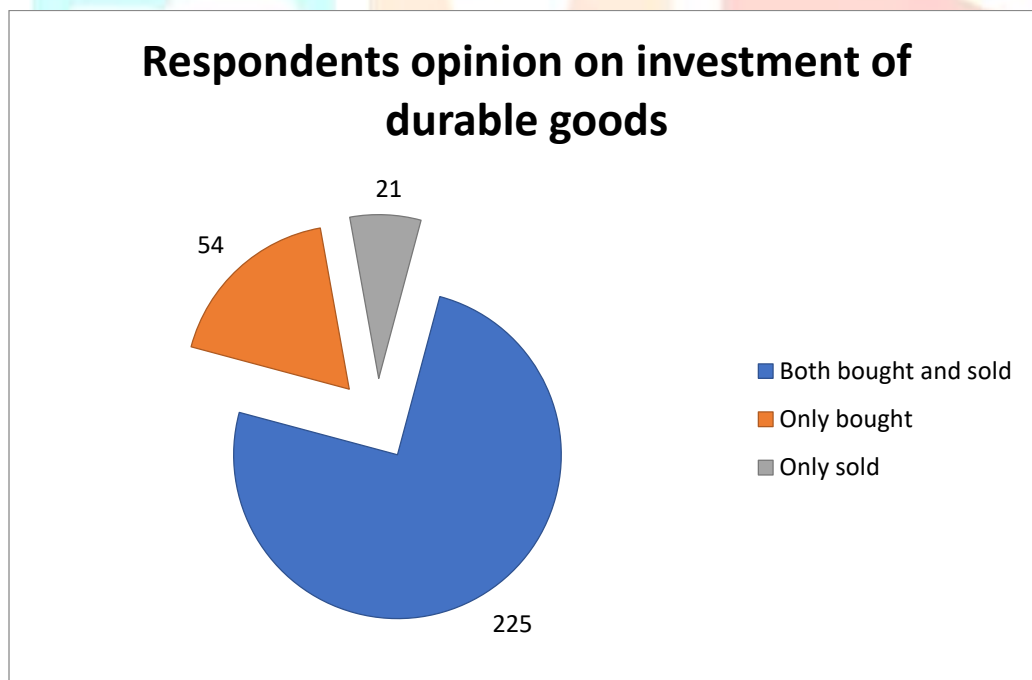
Any individual investors are going to be invested two types namely permanent investment like purchase house, purchase land (not for sale) Two wheelers, four wheelers and Gold, non permanent assets which is purchased for resale purpose. The researcher put a question to all rural ijvestors on investment activities is for permanent purpose or resale purpose. After collection of information regarding said dimensions, researcher has tabulated, analysed and presented in table 5.13. This is evidence from the table that, 75 per cent of the sample households have invested for both purpose like bought and sold, 18 per cent of the selected respondents have said only for bought and rest of the sample respondents have said that only for sale purpose . It obtusely found that majority of the respondents have invested both for sold and bought where they are invested in real estate.

CONCLUSIONS

Every individual investor has his own 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 though advertisements.

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