

Determinants of Investment Climate in Cuddalore District

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Abstract

Investment is a well planned activity that is done by people who want to invest and save their money from their income and prefer more returns in the period. The persons who are doing their investment are investors. Such investor's behavior pattern is determined in this research study. All the respondents of this research works belongs to cuddalore district. The sample size for this study is 394. The researcher design followed in this study is descriptive research; questionnaire has been designed to collect primary data. The collected data are analyzed and discussed in detail in the work.

1. Introduction

Behavioural finance is a new paradigm of finance, which seeks to supplement the standard theories of finance by introducing behavioural aspects to the decision making process. Contrary to Markowitz and Sharpe approach, behavioural finance deals with individuals and ways of gathering and using information. Behavioural finance seeks to understand and predict systematic financial market implications of psychological decision processes. In addition, behavioural finance focuses on the application of psychological and economic principles for the improvement of financial decision making (Olsen, 1998). Market efficiency, in the sense that market prices reflect fundamental market characteristics and that excess returns on the average are leveled out in the long run, has been challenged by behavioural finance. Wealth is defined as the present value of all the future cash flows that are expected to flow in from one's assets – be it a financial asset or a real asset. The only limitation of this approach would be the accuracy in estimating the future cash flows and the appropriateness of such discount rate used to find the present value of these cash flows. More generally, wealth may be defined as the passive income that one should be able to generate to maintain a desired lifestyle. This simply means generating an adequate amount of income, without actively working, which ensures that one need not worry about meeting the various living or leisure expenses. Wealth management is a new, discrete discipline, and not just a variation of the traditional investment management theme.

Investment management is the art of selecting investments – such as stocks, bonds, and derivatives – and combining them in a way that complements a client's specific risk-to-reward requirements. It is often called "money management" or "asset management". In other words, a wealth manager looks after the financial well-being of his client, but his efforts are not restricted only to achieving that goal. Since wealth management necessitates a more comprehensive relationship with a client, it involves more trust, and wealth manager needs to be more confidentially involved with customers' overall details, financial conditions, and risk profile. It requires spending more time with each client, understanding their broader requirements, detailed financial goals, and the constraints they face. A wealth manager first scrutinizes a client's financial condition and then proposes a combination of banking and investment services that best addresses their unique wealth management issues. These inter alia include the following:

- **Current Lifestyle needs:** The income a client requires for meeting their living expenses, the needs of their children, and short-term or long-term financial/personal goals.
- **Income tax considerations:** Tax planning has always been at the core of the wealth management proposition. The timing of stock or bonds purchase and sales may have an impact on the total tax liability.
- **Inheritance goals:** To whom the client wants to entrust his/her money and how much control to confer upon probable successors(s).
- **Humanitarian pursuits:** The charitable clients would like to support as well as when and how they wish to donate their money or assets (a decision that determines any tax advantages to the client).

There is an important requirement that the investor should know himself/herself. Each investor is different from any other investor in his/her reaction to unexpected/bad performance of the portfolio. Therefore, they should try to define their "comfort zone" clearly and without ambiguity. This is important, as it will help the wealth manager in recommending an appropriate asset allocation for the client. The Indian capital market is rapidly growing. Similarly the state of Tamilnadu is also rapidly growing in the investing sectors. The sector like Tourism, Horticulture, Industries, Information Technology, Agriculture, and state government focus on this to attract huge amount of investments from this, The region of cuddalore district is one of the developing area from this area the researchers have a point of view. This type of study will help in developing and expanding knowledge in the field.

2. Research Methodology

The present study is descriptive in nature. The study is mainly based on primary data which was collected from the 394 investors selected from in through convenient sampling technique. The sample respondents were selected from the urban, semi urban and rural areas in Cuddalore district. In order to improve the validity of the questionnaire the equal sample representation is taken from the sample area covering all the directions of the district. The primary objective of this study to find out the determinants of investment climate among the investors of cuddalore district. The study cover the entire cuddalore district the investors from primary sector, employees, businessman, service sector. The demographical profile influence is also studied to understand the role of demographics in investment avenues. The main objectives of the study are

- To find out the awareness on the investment avenues among the sample respondents.
- To find out the relationship between occupations with regard to dimensions of investment behavior in the sample area.
- To find out the relationship between income levels with regard to dimensions of investment climate.

3. Review of literature

Investment is risk based. There are so many determinants that are influenced the investment climate. The investment decision, avenues and perceptions are based on the individual. This thing comes under the risk and returns. Investing is based on the individual's occupation or income level. The behavioral finance studies have very small information. The following reviews are extracted to get some information. The following reviews that explains about this segments. Prasanna Chandra the typical objectives sought by investors are the current income, capital appreciation, and safety of principal. Ranganathan & Mathumathi the main objective of an investment process is to minimize risk while simultaneously minimizing the expected returns from the investment and assuring safety and liquidity of the invested investors Vidya Shankar (1990), Agarwal G.D. (1992), Gupta L.C. (1993) Atmaramani (1996), Madhusudan (1996) and Ajay Srinivasan (1999) and others have conducted extensive research regarding investor expectations, protection, awareness and fund selection behaviour. Few striking ones among the other studies are given below. Gupta (1993) conducted a household investor survey with the objective to provide data on investor preferences on MFs and other financial assets. Madhusudhan. Jambodekar (1996) conducted a study to assess the awareness of MFs among investors, to identify the information sources influencing the buyer decision and the factors influencing the choice of a particular fund. The study revealed that income schemes and open-ended schemes are preferred over growth schemes and close-ended schemes during the prevalent market conditions.

FREQUENCY DISTRIBUTION OF SAMPLE

S.No	Demographic profile of the respondents		No	Percentage
1	Gender	Male	315	79.9

		Female	79	20.1
2	Age	Below 30 yrs	112	28.4
		31-40 yrs	168	42.6
		41-50 yrs	87	22.1
		Above 50 yrs	27	6.9
3	Marital status	Married	292	74.1
		Un Married	102	25.9
4	Education	Matriculation	68	17.3
		Graduate	153	38.8
		Post graduate	130	33.0
		Profession	43	10.9
5	No. of dependants	Up to 2	81	20.6
		3	124	31.5
		4	112	28.4
		Above 4	77	19.5

From the category of the age it plays a major role in determining many aspects in an individual's life. The present study on investment patterns of the individual investors in the cuddalore district, in the state of Tamilnadu reveals the age pattern of the sample as a potential group. The study reveals that, 42.6 percent of the sample is belongs to 31-40 years age group and another 22.1 percent are belongs to 41-50 years age group. It accounts nearly one third of the sample is high level of income earning age and potential savings group. This indicates the savings potential and investment capacity of the sample area. It is always noted in many studies, the earnings potential and savings potential goes together with direct relationship. This has been observed in the present study along with the empirical evidences.

It is noted from the sample consists 79.9 percent of male and the remaining 20.1 percent are female. The investment patterns of the men is different from the women in general, but the quantity of investment and the investment decisions and other related aspects of investment like awareness on investment avenues, information on availability and accessibility may be well known to men. This is due to exposure of men in public is better when compared to women. Women play many roles and responsibilities at home, and her exposure to general public and investment avenues and operating mechanism may be little less when compared to men.

It is found from the table, that, the sample consists of 38.8 percent are graduates, 33 percent are belongs to post graduates, 10.9 percent are belongs to profession and 17.3 percent are belongs to matriculation category. It indicates the cent percent of the sample is educated and favoured towards investments in the sample area. It indirectly indicates the literacy rate of the Cuddalore district and the investment awareness and investment patterns of the sample respondents and the potential is high.

It is observed from the table, that 40.9 percent of the sample respondents are belong to self employed, 21.6 percent are in government service, 23.6 percent is in service industry and only 13.7 percent of the sample respondents is in cultivation. This indicated the regular flow of funds in the form of salary, business income and service charges to majority of the individuals in the sample area. It indicates the high level of savings potential.

Individuals depending on the cultivation may not be having regular income, but the percentage is small and negligible.

It is found from the table that 31.5 percent of the sample is having three dependents and 28.4 percent of the sample represents with four dependents. It indicates the house hold patterns of the sample area as joint family system and big family. It can be analyzed two ways. Bigger the family lesser the savings or bigger the family higher the income earned. It is observed hat, the sample area is a traditionally driven social setup having big families with more number of dependents. Each dependent is capable of earning some income to the family by way of providing assistance in running a family. The salient feature observed in the sample area is each member in a family is having private savings and investments apart from the family savings. This indicates unaccountable savings are more than the accountable savings.

Awareness on the investment avenues among the sample respondents.

Types of investments	Mean Rank	Chi-square value	p-value
Bank deposits	11.96	727.182	0.000**
Chit funds	9.47		
Private finance	8.24		
Real estates	8.68		
Commercial halls	7.57		
Retail business	7.97		
Commission business	7.83		
Mutual funds	7.30		
Equity investments	7.57		
Debt investments	7.15		
Insurance	9.07		
Bullion market	7.01		
Derivatives market	6.32		
Online trading	7.17		
Commodities market investments	6.69		

Note: ** indicates the rejection of hypothesis at 1% level of significance.

Since P value is less than 0.001, the null hypothesis, There is no significant difference between the mean ranks between the levels of awareness on the investment avenues among the sample respondents is rejected at 1% level of significance. Hence, it is concluded that, there is a significant difference between the mean ranks of the level of awareness on the investment avenues among the sample respondents. Based on the mean value high level of awareness is observed for the investment avenues like bank deposits with mean of 11.96, chit funds with mean of 9.47, private finance with mean of 8.24, real estate's with mean of 8.68 and insurance with mean of 9.07 among the sample respondents.

The average level of awareness is observed on investments like commercial halls, retail business, commission business, mutual funds, equity investments, debt investments, bullion market, derivatives market, online trading and commodities market investments among the sample. The mean score range of these investments is observed at 7.97 to 6.32. This clearly indicates the potential for conventional and safe and well known investments potency in the sample area. The time has come to go for modern investments and to gain optimum returns with the minimum possible risk by hedging the risk and joining and participating in the new age investment avenues. Still the trust factor stands as a barrier to the investors along with the moderate level of awareness on the modus operandi of the investment avenues. A clear promotional strategy can help to come out of this situation and to set a new paradigm shift in the pattern of investments in the sample area.

SHOWING THE ANOVA RESULTS EXPLAINING THE RELATIONSHIP BETWEEN OCCUPATIONS WITH REGARD TO DIMENSIONS OF INVESTMENT BEHAVIOUR IN THE SAMPLE AREA

Dimensions of an Investment	Occupations	N	Mean	Std. Deviation	F-value	p-Value
Awareness towards Investment	Service	94	34.88	13.802	8.397	0.000**
	Cultivation	54	32.80	13.975		
	Self-employed	161	40.53	14.873		
	Government	85	42.59	13.387		
	Total	394	38.57	14.584		
Investment Behaviour	Service	94	65.35	10.094	5.589	0.001**
	Cultivation	54	63.02	9.593		
	Self-employed	161	66.45	11.018		
	Government	85	70.16	11.387		
	Total	394	66.52	10.888		
Investment Climate	Service	94	117.35	19.984	1.617	0.185 _{NS}
	Cultivation	54	114.83	14.878		
	Self-employed	161	120.43	17.376		
	Government	85	120.07	19.613		
	Total	394	118.85	18.265		
Motivation towards Investment	Service	94	100.60	17.466	6.464	0.000**
	Cultivation	54	100.44	14.762		
	Self-employed	161	107.00	19.357		
	Government	85	110.64	17.448		
	Total	394	105.36	18.305		
Suggestion to Improve Investment	Service	94	73.28	13.263	4.001	0.008**
	Cultivation	54	70.41	9.530		
	Self-employed	161	75.47	11.374		
	Government	85	77.02	13.118		
	Total	394	74.59	12.155		

Since p value is less than 0.001, the null hypothesis there is no significant difference between The occupations with regard to the perceptions on the awareness on investment avenues, investor behavior, motivational factors to investments and suggestions to improve the investment climate in the sample area are rejected at 1% level of significance. Hence, there is a significant difference between the occupations with regard to the perceptions on the awareness on investment avenues, investor behavior, motivational factors to investments and suggestions to improve the investment climate in the sample area.

Based on the mean value, the awareness on investment avenues mean of 42.59 with the standard deviation of 13.387, investor behavior with mean value of 70.16 with the standard deviation of 11.387, motivational factors to investments with mean of 110.64 with the standard deviation of 17.448 and suggestions to improve the investment climate in the sample area with mean of 77.02 with the standard deviation of 13.118 shows a better among the investors in the government service when compare to others in the sample area. It may be due to regularity in the investments and savings potential with the better pay and packages available in the government service.

Since p value is greater than 0.05, the null hypothesis there is no significant difference between the occupations with regard to the dimension of investment climate in the sample area is accepted at 5% level of significance. Based on the mean value, the investment climate is most favoured by the self-employed investors in the sample area with mean score of 120.43 with the standard deviation of 17.376. It is a positive trend in terms of better favour of the investment climate to the self employed can pave away for new entrepreneurial ventures in the sample area and there by new employment opportunities to the people. This can improve the income levels and there by savings potential and investment potential of the people in the sample area.

SHOWING THE ANOVA RESULTS EXPLAINING THE RELATIONSHIP BETWEEN INCOME LEVELS WITH REGARD TO DIMENSIONS OF INVESTMENT CLIMATE

Dimensions of Investment	Level of Income	N	Mean	Std. Deviation	F-value	p-value
Awareness towards Investment	Up to 10,000	156	33.95	14.044	10.784	0.000**
	10,000-20,000	144	40.49	14.686		
	20,001-30,000	59	44.97	13.364		
	Above 30,000	35	40.46	12.617		
	Total	394	38.57	14.584		
Investment Behaviour	Up to 10,000	156	64.76	12.292	4.401	0.005**
	10,000-20,000	144	66.59	9.762		
	20,001-30,000	59	67.98	9.053		
	Above 30,000	35	71.63	9.795		
	Total	394	66.52	10.888		
Investment Climate	Up to 10,000	156	117.56	18.229	1.262	0.287 _{NS}
	10,000-20,000	144	118.65	18.235		
	20,001-30,000	59	119.64	18.837		
	Above 30,000	35	124.09	17.326		
	Total	394	118.85	18.265		
Motivation towards Investment	Up to 10,000	156	104.06	18.728	2.504	0.059*
	10,000-20,000	144	103.99	18.298		
	20,001-30,000	59	108.29	17.237		
	Above 30,000	35	111.80	16.904		
	Total	394	105.36	18.305		
Suggestion to Improve Investment	Up to 10,000	156	72.51	12.863	8.154	0.000**
	10,000-20,000	144	75.05	10.523		
	20,001-30,000	59	73.75	10.431		
	Above 30,000	35	83.34	14.186		
	Total	394	74.59	12.155		

Since the p value is less than 0.001, the null hypothesis, There is no significant difference between the occupations with regard to the perceptions on the awareness on investment avenues, investor behavior and suggestions to improve the investment climate in the sample area is rejected at 1% level of significance. Hence, there is no significant difference between the occupations with regard to the perceptions on the awareness on investment avenues, investor behavior and suggestions to improve the investment climate in the sample area.

Based on the mean value the better level of awareness on investment avenues is observed among the investors belongs to Rs.20000 to Rs.30000 income per month when comparing to others in the sample with mean of 44.97 and with the standard deviation of 13.364. It indicates a favourable investment environment in the sample area. Since p value is less than 0.05, the null hypothesis, There is no significant difference between the occupations with regard to the dimension of motivational factors to investments in the sample area. Hence, there is a significant difference between the occupations with regard to the dimension of motivational factors to investments in the sample area. Based on the mean value the level of motivation is better among the investors having Above Rs.30000 per month level of income with mean of 111.08 and with the standard deviation of 16.904 when comparing to others among the sample respondents.

Since p value is greater than 0.05, the null hypothesis, There is no significant difference between the occupations with regard to the dimension of investment climate in the sample area is accepted at 5% level of significance. Hence, there is no significant difference between the occupations with regard to the dimension of investment climate in the sample area. Based on the mean value the investment climate is favoured by the high income group in the sample having Rs.30000 and above level of income per month with mean of 83.34 and with the standard deviation of 14.186 when comparing to others in the sample. It indicates that the investment climate is in favour of high income group in the sample area

Findings suggestion and Conclusion

The primary avenues for the investment in the sample area are The Primary investment avenues are: Bank deposits chit fund Private finance, real estates, retail business and insurance, is observed in the sample survey. This indicates the selection of investments is on the basis of risk involved and safety to the funds invested as base principles of investment decisions. Such trend is a favorable trend to the long term markets and survival. There is no significant difference between the occupations with regard to the perceptions on the awareness on investment avenues, investor behavior, motivational factors to investments and suggestions to improve the investment climate in the sample area is rejected at 1% level of significance. Hence, there is a significant difference between the occupations with regard to the perceptions on the awareness on investment avenues, investor behavior, motivational factors to investments and suggestions to improve the investment climate in the sample area. when comparing to others in the sample. It indicates that the investment climate is in favour of high income group in the sample area. It is necessary to design an investment avenue suitable to the investor's perceptions and the market conditions with attractive features can serve the purpose. Each of the existing avenues are suffering from lack of one feature or the other due to regulations. The end for the same is to bring out a customary investment avenues with online simulation and public accessibility. IT is a customer, who decides the amount of investment, returns expected, tenure, the system gives him the yield to maturity and risk levels on the screen. Now it is the customer selects the value added schemes, like risk hedge insurance, online accessing, mobile alerts, high and low peak days with return data etc.

From the foregoing analysis, it is observed that the awareness on the investment avenues among the sample respondents is concluded that, there is a significant difference between the mean ranks of the level of awareness on the investment avenues among the sample respondents. The relationship between occupations with regard to dimensions of investment behavior in the sample area. It is a positive trend in terms of better favors of the investment climate to the self employed can pave away for new entrepreneurial ventures in the sample area and there by new employment opportunities to the people. To find out the relationship between income levels with regard to dimensions of investment climate. . It indicates that the investment climate is in favors of high income group in the sample area.

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