

# A Study on Investment Avenues for Rural Investors in Karnataka with Reference to Koppal District

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**Abstract :** One of the most pressing concerns for the economics of the developing world is the need for mobilizing domestic financial resources. Investment means putting our money to work earn more money. Investing even a small amount can produce considerable rewards over the long term. But we need to make decisions of how much to invest and where to invest. To choose, we need to know the investment options thoroughly, and their relative risk exposures. Investment planning is necessary to all individuals to achieve the financial goals. People should plan their investment to fulfill major needs like financial production carrier building asset purchase, marriage children's education, retirement funding etc. Saving is the excess of income over consumption expenditure. Saving is meant to meet contingencies and raise standard of living of individual secures. Domestic savings play an important role in bringing about economic development of backward countries.

**Keywords:** Investment Behavior ,Investment Avenues, Rural investor.

## INTRODUCTION

The word 'investment' has many interpretations as it means different things to different persons. For a person who has lent money to another, it may be an investment for a return. Similarly, if a person purchases shares of a company, bullion or a real estate for the purpose of a price appreciation, it is also an investment for him. Likewise, an insurance plan or a pension plan is an investment to its purchaser. From these illustrations, it is clear that investment is a commitment of funds for earning additional income. In other words, investment is considered the sacrifice of certain present value of money in anticipation of a reward. In the present day financial markets, investing money has become a very complex task. Most of the investors are unaware of the fact that investing is both an art and a science.

Why should you invest?

Many people wonder: why invest? Well, the reasons for investments are very clear and simple. Investing or investment makes you to prepare for your future. Nobody wants to work their entire life. Investing is one good option that you can secure your future. Well, you can earn money in two ways by working or by having your assets work for you. One of the main reasons to invest is that if you keep your money with yourself instead of investing it, your money doesn't work for you. You will only have the money that you have saved. You can invest your money and generate more money by earning interest on what you have put away or by buying and selling assets that increase in value. People may have a different need to invest. Some people may think that keeping their money in the bank pays them a good interest and why should they bother to find other vehicles for investment? But not all people think in this way, there lots of people who invest their money and gain profits out of it. If you dream of earning a huge sum of money for your future, you need to invest now. It is never too late to invest. The earlier you invest the better and easier for you to build your nest egg. You may find a lot of short, intermediate or long term plans. Keep these plans in you mind when you actually think to start investing. Focus on your investment plans and generate more cash for your future. You have may many reasons to invest.

## REVIEW OF LITERATURE

Sushant Nagpal and B. S. Bodla june 2009 on impact of investors' lifestyle on their investment pattern: an empirical study states that the modern investor is a mature and adequately groomed person. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions. Ramprasath .S and Dr. B.

Karthikeyan , December 2013, on individual investors' behavior towards select investments, states that the majority of the investors are giving much importance for the factor "safety". Similarly investment avenues such as Bank deposits, LIC policies and Bullion has been preferred by the individual investors. Similarly the majority of the investors are periodically evaluating the performance of their investment avenues. A

Sarangapani and T. Mamatha on investment pattern of Indian investors (July 2011) assessed in their research, investment pattern of sample investors indicates that the majority investors prefer to invest in equity shares than in other instruments. It is also revealed in analysis of the portfolio of investors that 72% investors prefer to invest in different types of instruments and the rest only in equity shares. The portfolio size of convertible debentures is comparatively more than non-convertible debentures in Hyderabad city.

Dr. Ganapathi & Ms. S. Anbu Malar on investor attitudes towards post office deposit schemes (July – December 2010) assessed in their research, the various small savings schemes are mainly meant to help the small investors and also those who are in high tax brackets. Proper advertisement must made for post office savings schemes. So that even a layman comes to know about these schemes and deposits can be increased. Investing our amount in post office deposits schemes ensures high rate of return and it provides safety and security for the amount invested.

Suresh Chandra Bihari & Apoorv Raj on investment behavior of the customers towards mutual fund and other products (Jan – June 2013) assessed in their research, commercial sources are attracting and helping more consumers to take decision. At the same time personal sources are also adding value to their decision making process. Magazines, newspapers, film, advertisement, display, demonstration, exhibition and colleagues play a vital role in searching meaningful information

M.R. Shollapur and A.B. Kuchanur on a study on individual investors in selected investment avenues. (April 2008), assessed in their research investors strongly agree on the perceptions in the case of bank deposits (80%) life insurance policies (65%) . on the other hand (54%) disagree on in the case of corporate securities. The perceptual gaps analysis presents certain revelations – corporate securities are less preferred; government securities do not provide

regular and steady income; investment in insurance policies appreciate in values; bank deposits require more transaction costs etc. there is a need to help investors develop a right perspective of the investment schemes and their attributes.

By sunnykutty Thomas and rajesh M.N on Investment pattern of rural Investors in Kerala under (NEP).(Apr 2009) assessed in their study the vast and drastic changes are to be found in investor's behaviours and motives of investors under present economic scenario. In that situation, rural investors in kerala also adopted a new investment pattern under the present economic crisis.

#### STATEMENT OF THE PROBLEM

Investment related variable include, influence of investment decision, sources of investment, percentage of income invested. Sources of information about investment & preference of investment, proportion of income invested in various investment, risk preference of women investors, monitoring period, difficulty investors and level of awareness regarding various aspects in investment. Indian savings market has been expanding over the period and there is a steady increase of household savings. Moreover general profile of investors in changing in tune with time. But they lag in various spheres of investment such as awareness and preference of investment so, an attempt has been made by the researcher to identify the factors influencing investors behavior to evaluate the level of awareness among investors.

#### OBJECTIVES OF THE STUDY

The following are the main objectives of the study  
To analyze the various savings schemes available for rural investors.

To find out the saving and investment pattern of rural investors.

To offer suitable suggestions to improve the saving and investment.

#### METHODOLOGY

The present study is based secondary data. The secondary data has been collected from various journals, books, magazines and websites.

Investment avenues for rural investors

#### 1) Bank deposits

It is the simplest investment avenue open for the investors. He has to open an account and deposit the money. Traditionally the banks offered current account, Saving account and fixed deposits account. Current account does not offer any interest rate. The drawback of having large amount in saving accounts is that the return is just 4 percent. The saving account is more liquid and convenient to handle. The fixed account carries high interest rate and the money is locked up for a fixed period. With increasing competition among the banks, the banks have handled the plain saving account with the fixed account to cater to the needs of the small savers.

#### 2) Post office deposits

Post office also offers fixed deposit facility and monthly income scheme. Monthly income scheme is a popular scheme for the retired. an interest rate of 9 percent is paid monthly .the term of the scheme is 6 years, at the end of which a bonus of 10 percent is paid .the annualized yield to maturity works out to be 15.01 per annum. After three years, premature closure is allowed without any penalty .if the closure is one year, a penalty of 5percent is charged.

#### 3) Public provident fund scheme (PPF)

PPF earn an interest rate of 8.5% per annum compounded annually which is exempted from the income tax under sec80 C. The individuals and Hindu undivided families can participate in this scheme. There is a lock in period of 15years.PPF is not indented for those who are liquidity and short term returns. At the time of maturity no tax to be given.

#### 4) National saving scheme (NSS)

This scheme helps in deferring the tax payment. Individuals and HUF are eligible to openNSS account in the designated post office.

#### National saving certificate

This scheme is offered by the post office. These certificate come in the denomination of Rs.500,1000,5000 and 10000.the contribution and the interest for the first five years are covered by sec 88.the interest is cumulative at the rate of 8.5%per annum and payable biannually is covered by sec 80 L.

#### 5) Life insurance

Life insurance is a contract for payment of a sum of money to the person assured on the happening of event insured against. Usually the contract provides for the

payment of an amount on the date of maturity or at a specified date or if unfortunate death occurs

#### 6) Mutual fund

Investing directly in equity shares and debt instruments may be difficult task for a large number of customers because they want to know more about the company, promoter, prospects, competition for the product etc., in such a case, investor can go for investing infinancial assets indirectly through mutual fund. A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. Each scheme of a mu tual fund can have different character and objectives.

#### 7) Real estate

The real estate market offers a high return to the investors. The word real estate means land and buildings. There is a normal notion that the price of the real estate has increased by more than 12% over the past ten years. Real estate investments cannot be enchased quickly. Liquidity is a problem. Real estate investment involves high transaction cost. The asset must be managed, i.e. painting, repair, maintenance etc.

#### 8) Gold

Off all the precious metals gold is the most popular as an investment. Investors generally buy gold as a hedge against economic, political, social fiat currency crisis. Goldprices are soaring to the new highs in recent years comparing to the previous decades because whenever the signs of an economic crisis arises in the world markets may findshelter in gold as safest asset class for investors all around the world.

9) SilverYellow metal is treated as safe haven .but silver is used abundantly for industrial applications. Investment in silver has given investor, super returns than what gold has given.

### CONCLUSION

There is an opportunity for financial institutions and banks to mobilize the income of rural people, which is a greater difficult task. People in rural areas prefer safety and return from theirinvestments and they are having less knowledge in banking and other financial terms. Financial institution can utilize this opportunity by educating the rural people and creating awareness among them on financial services and banking services. Saving and investment habit of rural people includes local chit fund, post office deposit,

investment in gold and a very less portion in banks and insurance(LIC) and other small saving.

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