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Investment Practices Of the Customers of Co-Operative Banks

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Abstract: Investment is to obtain the commodities that are not immediately consumed; instead it is utilized in the long run to generate assets for future. In today's world, investment has become a need because it increases the net worth of a person and provides a great opportunity for the financial growth. This study is undertaken to study the overall investment preferences of the customers of cooperative banks and their investment logics for future growth. The primary aim is to understand the customer's investment practices. In this study, the primary data was collected through survey questionnaire. The data has been analyzed using the Statistical package for the social sciences (SPSS) software. The tools such as frequency analysis, mean analysis, ANOVA and cluster analysis have been employed to analyze the data. From this study, it is evident that there is a significant difference between the income of the customers and their preference towards investment.

Keywords: investments, logics, perception, mutual fund, share market.

I. INTRODUCTION

An Investment has a wide spectrum in which the possibilities are enormous. Share market is thriving with a mixture of stocks and bonds which provides high return with moderate risk. Investment avenues include real estate, insurance policies, share market, gold/silver and so on. The investor before making any kind of investment looks in to diverse factors. One of the most important factors is considered to be the rate of return in response to the risk taken. The investors could be classified as high risk takers, moderate risk takers and low risk takers. The classification of the investors completely depends upon their choice of investment in the market. The investment is termed as the future growth of the capital. This study aims to find out the investment practices of the customers of cooperative banks and their investment logics.

II. REVIEW OF LITERATURE

Fast GDP development prompts the increase in house hold salary. Increased income leads to increased investment which leads to saving in a house holds Geetha and Vimala (2014). Nagpal (2007) discussed about the distinctive group and the standards for investing such as utilizing a long term investments which contributes to savings, accompanying those straight technique will boost the return. Also legitimate allotment about investible subsidizes, stating that life style of the person also has an impact on the investments. Dash (2005) stated the fundamentals for claiming investment and need for investment. The profit of the investment could be of both economical and social. In the long term, current investment determines the future growth limit of the wealth and economy. Investments are prepared with an objective of maximizing wealth. Investors' behavior is distinguished by overreaction and excitement in both increasing and falling stock markets. Most of the investments and financial theories are based on the idea that every investor takes look at all available information before making investment decision Shanmugasundaram and Balakrishnan (2011). Walia and Kiran (2009) has found that the financial markets are becoming more efficient by giving more hopeful solutions to the investors. Financial markets are constantly becoming more comprehensive with financial products looking for new innovations. Sternberg and Lubart (1991) carried an investigation for financing hypothesis of innovativeness. Those hypotheses comprise of 6 assets to Innovativeness – educated support courses knowledge, educated support style, personality, motivation and Ecological setting.

III. METHODOLOGY

This study is descriptive in nature and it adopts primary data. Primary data have been collected by employing the questionnaire to the customers. Questionnaire includes the variables such as income level of the customers, investment practices and investment logics. Investment practices and logics have been measured through likert five point scale. Data have been taken from 60 customer's of cooperative banks in Chennai, India. The collected data have been analyzed by using mean analysis, frequency analysis, analysis of variance (ANOVA) and cluster analysis.

IV. INCOME OF THE CUSTOMERS

Income is the key cause of the investment and it leads to the choice for investment. Higher income people usually go for additional investment. Frequency analysis is been used to understand the income of the respondents. The result of the frequency analysis is shown in table 1.

Table 1: Income Of The Customers

S.NO	INCOME	FREQUENCY	PERCENTAGE
1	Below 200000	7	11.7
2	Rs 200000 - Rs 400000	41	68.3
3	Rs 400000 - Rs 600000	11	18.3
4	Rs 600000 and Above	1	1.7
	Total	60	100.0

Table 1 shows the values of frequency and its percentage. It is clear from the table that almost 41 customers are earning the income between Rs 2,00,000 – Rs 4,00,000 followed by 18% of customers are earning the income between Rs 6,00,000 and above. It is therefore inferred from the table that majority of the customer’s are earning limited salary.

V. CUSTOMER’S INVESTMENT LOGIC

Customer before going for any investment avenues, they will look in to various parameters such as premium, bonus, interest, policies and so on. This section tries to measure the investment logic of the customer. The result of mean analysis of customer investment logics is shown in Table 2.

Table 2: Customers Investment Logic

S.NO	LOGICS	MEAN	RANK
1	Premium	1.2667	6
2	Bonus and Interest	1.7000	5
3	Policy Term	1.7833	4
4	Accessibility	1.8167	3
5	Charges Obtained	1.8333	2
6	Others	3.2333	1

Table 2 depicts mean value and its rank of customer’s investment logics. The variable ‘others’ has the highest mean value of 3.2333 followed by charges obtained, accessibility, policy terms, bonus and interest and premium. It is inferred that apart from the basic parameters, the customers are depending on some other logics such as current market performance, advise from analysts, future benefits, liquidity and so on. Based on the investment logics of the customers, customers are categorized under three types. Categorization is done through cluster analysis. The result of cluster analysis is shown in Table 3.

Table 3: Categorization Of Customers Based On Investment Logics

S.NO.	LOGICS	1	2	3
1	Premium	2.44	1.93	1.93
2	Charges Obtained	2.00	1.74	1.95
3	Policy Term	2.67	1.97	1.16
4	Bonus and Interest	2.17	1.23	2.42
5	Accessibility	4.00	1.86	1.05
6	Others	1.67	3.63	3.00

Table 3 shows the final cluster center values. It shows that cluster has classified the respondents under 3 categories such as cluster 1, cluster 2 and cluster 3. It is inferred from the cluster 1 that accessibility has the highest value of 4.00 and hence cluster 1 is named as “Accessibility”. Whereas it is inferred from the cluster 2 that the others has the highest value and hence cluster 2 is named as “others”. Cluster 3 is named as “Bonus and Interest”.

VI. CUSTOMER’S INVESTMENT PRACTICES

There are plenty number of investment avenues which are available in the recent years for the investors. The investment practices of the investors are purely based on their investment logics. The investment avenues include real estate, post office deposits, insurance policies, share market, gold/ silver, fixed deposits, mutual funds, others and so on. The mean analysis of customer’s investment practices is shown in Table 4.

Table 4: Customer’s Investment Practices

S.NO	PRACTICES	MEAN	RANK
1	Mutual Funds	1.5500	8
2	Insurance Polices	2.3500	3
3	Real Estate	2.0167	5
4	Share Market	2.1167	4
5	Gold/ Silver	1.8500	6
6	Fixed Deposit	1.7000	7
7	Post Office Deposits	2.6667	2
8	Others	3.4167	1

Table 4 depicts the mean value and its rank of investment practices. The variable “others” has the highest mean value of 3.4167 followed by post office deposits, insurance policies, share market, real estate and so on. It is inferred that apart from the regular investment avenues, customers are depending on other avenues such as saving bank A/c, antiques, certificate deposits, derivatives, bonds and so on. Based on the investment practices of the customers, customers are categorized by using cluster analysis. The result of cluster analysis is shown in Table 5.

Table 5: Categorization Of Customers Based On Investment Practices

S. NO.	PRACTICES	1	2	3
1	Mutual Funds	1.08	1.25	3.09
2	Fixed Deposit	1.54	1.69	1.91
3	Real- Estate	3.38	1.25	2.91
4	Share Market	1.77	2.00	2.91
5	Gold/ Silver	2.08	1.67	2.18
6	Insurance Polices	2.69	2.22	2.36
7	Post Office Deposits	3.23	2.72	1.82
8	Others	4.08	3.28	3.09

Table 5 shows the final cluster center values. It shows that cluster has classified the respondents under 3 categories such as cluster 1, cluster 2 and cluster 3. Based on the values of final cluster centers, cluster 1, 2 and 3 are named as “high risk takers”, “low risk taker” and “Moderate Risk takers” respectively.

VII.INCOME VS INVESTMENT PRACTICES & INVESTMENT LOGICS

Customer’s preference towards their investment and their investment logics completely depend upon the level of income. ANOVA is applied to find the significant difference between income of the customers and their investment preferences and logics. The result of ANOVA is shown in table 6.

Table 6: Income Vs Investment Practices & Investment Logics

PARTICULARS	F	SIG.
INVESTMENT PRACTICES	1.569	0.207
INVESTMENT LOGICS	2.688	0.055

Table 6 shows the values of F and its significance level. It is clear from the table that investment practice has the significance value of 0.207 and investment logic has the value of 0.055. It is inferred that there is no significance difference the customer’s income and their Investment practices whereas, there is a significance difference between income and investment logics.



VIII. CONCLUSION

Clinched alongside today's universe financing has turn into a need. The investors are highly concentrating on the premium factor and various parameters like premium, charges obtained, policy terms, bonus and interest, accessibility, company image and various other parameters while investing. The preference towards accessibility is of utmost necessity. This study finds that apart from the regular investment avenues the investors are depending on other avenues such as savings bank A/c, antiques, certificate deposits, derivatives, bonds and so on. Furthermore, the study also finds that apart from the regular parameters, the investors are depending on some other logic such as current market performance, advise from analysts, future benefits, liquidity and so on. Finally, study explored that there is no significance difference the customers income and their investment practices.

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