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An Empirical Analysis over the Factors Affecting Investor Behaviour With Reference to Amaravathi Captial Region Commodity Market

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1. INTRODUCTION

In olden days, investment was confined only to rich people or the educated ones. But now even the common man has investing in various forms within his capabilities. Hence the role and impact of investment avenues has been increased in modern times. After Liberalization, Privatization, Globalization there are many changes and developments in the investment sector. All these developments lead to economic growth and provide opportunities not only to investment in Indian market but also in global markets.

Generally people go for investment in banks like Fixed Deposits or Recurring Deposits which they feel it is a safer option. Though it is low risk risk avenue it is also a low profit avenue as banks are not providing high interest rates on deposits. So people looking at various investment options available.

There are different securities carrying different risk – return profiles. Usually profiles with high risk carry high return and vice versa. Hence it is advisable to have professional guidance or enough knowledge over the market to have right investment and also to remove the fear of loosing hard earned savings.

2. DIFFERENT TYPES OF INVESTORS

After analyzing following are some kinds of investors:

1)A portion of investors are risk avoiders. The moment they hear the word "equity" feels it as risk taking and loss of money.

2) Half of the investors are regular investors. They invest when they have surplus and withdraw when they are in need. They generally go for long run earnings.

3)Some investors say they wait for the right opportunity to kill the markets. They are experienced but keep on waiting and earn nothing at the end.

4)Some investors are busy in earning and completely depend on financial agents. They blindly follow the agents advice and invest on them

5) Few investors feel overconfident that they knew everything and they for wrong investments proposals.

6) Some window shoppers have no dare invest but they always talk about investment strategies.

7)Last are some type of investors who coolyanalze the market conditions and make investments wisely. These are the best type of investors.

3. DIFFERENT INVESTMENT PRODUCTS

Following are some investment products available :-

- Investing in the stock markets is one of the common option available to the investors.

- Mutual fund investment is a well known investment scheme. It aims long run earnings.
- The safer option of investing is Fixed Deposits and Recurring Deposits. But it offers lower interest rates.
- Public Provident Fund is long term investment option offered by government of India and also a tax free investment option.
- Employee provident fund is the lump sum amount employee receives at the time if his exit from the work place.
- Another tax free investment scheme is National pension System. It is voluntary contribution to the pension scheme.
- These days another investment option is Venture capital. The investors invest their money in small or medium range firms which have high growth potential in future.
- Angel investment is new trend of investment in new start ups and nuclear business.

4. FACTORS AFFECTING INVESTOR BEHAVIOUR

Age :

Age plays an important role in taking investment decision. Young people are ready to take risk like investing in equity shares, stock markets etc. Where as aged people or retired persons go for safer options like bank deposits.

Goal:

There can be short or long term goal of investments. Investors with short term goal go for regular investments where money can be withdrawn in less time. Long term investors generally go for mutual funds like wise.

Individual profile:

The individual's earning and savings capabilities affects the investment decision. The financial dependents on the candidate investing also affects the decision.

Interest Rates:

Generally investors are attracted by interest rates. If high interest rates are offered high investments will be made and vice versa.

Economic Growth:

Investments are done to meet the future demand. If economic growth increases then future demand also increases leading to higher investments.

Confidence:

The confidence of investor is achieved by low risk, high returns and high economic growth. If investor confidence is high then investment is also high.

Inflation

In long term inflation rates can have influence on investment. High and variable inflation tends to create more uncertainty and confusion leading to less investment.

Productivity of capital:

Productivity of capital is directly to the investment made. If latest technology was used then returns will be high. Then investors come forward to invest.

Availability of finance:

Availability of finance also influences the investment decision. A credit crunch of 2008 where banks were short of liquidity had to cut bank lending. Bank were reluctant to lend to firms for investment.

Commodity prices:

If the commodity prices are high the demand also increases. Hence to meet future demand individual do investments.

5. CONCLUSION

The success of an investment depends on opting a right investment avenue at right time. However there are uncontrollable factors in investing, but staying informed and knowing what's happening on controllable factors can help in making better decisions. Initially the investor should know his/her situation profile and goal before investing. Factors like cost of capital, economic life of project, cash flows have to be considered. Techniques like project evaluation, net present value, cost benefit ratio, internal rate of return are to be used. Economic, Financial and Sensitivity Analysis are to be done. One thing to be kept in mind that investment should not take away today's joy for tomorrow safeguard. But savings is the need of the hour in today's world. Cooperation of family members is required for savings and face future challenges. Advertisement to be increased to create awareness as most of people knew investment schemes only through friends and family. A little improvement of insurance policies and post office instruments awareness was done these days. New investment avenues like virtual real estate, hedge funds, were replaced by traditional avenues like Real estates and chit funds.

There is a saying that "when it comes to investment, one size doesn't fit all". Hence the investor should first select proper investment scheme. He shouldn't go for high return buck schemes. Also have a look on tax free implications. The ultimate goal of any investor is to have a low risk investment same time ensuring a reasonable level of income.

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