

# a study on preferred investment avenues among hni investors in the city of indor...

[Finance](#), [Investment](#)



## **Abstract**

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment is the most important things today. People are earning more, but they do not know where, when and how to invest it. A proper understanding of money, its value, the available avenues for investment, various financial institutions, the rate of return/risk etc., are essential to successfully manage one's finance for achieving life's goal. Through this study, an analysis has been made into preferred investment avenues among high net worth individuals in the city of Indore, Madhya Pradesh, India. Indore a hub for business class.

The results highlight that certain factors like education level, awareness about the current financial system, age of investors etc... make significant impact while deciding the investment avenues. The study is based on personal interviews with high net worth individuals, using a structured questionnaire. Actually, the present study identifies the preferred investment avenues among the individual investors using self assessment test. The study is based on primary sources of data which are collected by distribution of a close ended questionnaire. The data will be analyzed using percentage and chi-square test with the help of statistical software. There are large numbers of investment opportunities available today. In this study it will be examined how the HNI investors managing their investments.

## **Introduction**

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it

difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. With high capital output ratio, India needs very high rates of investments to make a leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth and increase in national income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving.

### **HNI Investors:**

The respondents of this study consist only the people, those who are rich business class although precise classification of his wealth cannot be commented upon. It is observed that the business class having ample wealth invest differently considering high risk high return basis other than salaried class investors who are believed to invest in safe investment with

### **Definition of 'High Net Worth Individual**

A classification used by the financial services industry to denote an individual or a family with high net worth. Although there is no precise definition of how rich somebody must be to fit into this category, high net worth is generally quoted in terms of liquid assets over a certain figure. The exact amount differs by financial institution and region. The categorization is relevant because high net worth individuals generally qualify for separately managed investment accounts instead of regular mutual funds. HNIs are in high demand by private wealth managers. The more money a person has, the more work it takes to maintain and preserve those assets. These individuals

generally demand (and can justify) personalized services in investment management, estate planning, tax planning etc.

## **Investment Options Available**

There are a large number of investment instruments available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them are marketable and liquid while others are non marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific need, risk preference, and return expected Investment avenues can broadly categories under the following heads.

- Equity
- FI Bonds
- Corporate Debenture
- Company Fixed
- Bank Fixed
- PPF
- Life Insurance
- Post Office-NSC
- Gold/Sliver
- Real Estate
- Mutual Fund
- Hedge fund & Others

## **Objectives:**

### **Primary objective**

- To study the various investment avenues and the investors risk preference towards it.

### **Secondary objectives**

- To study the dependence/independence of the demographic factors of the investor and his/her risk tolerance..
- To analyze the investment pattern (i. e the type of financial instrument they and duration for which they prefer to invest) among the HNI investors.
- To find the problems being faced by the investors and type of risk considered by them.
- To know the mode of investments of the HNI respondent in various investment avenues.

## **Scope of the Study:**

This study is focusing on the preference of Investments by HNI investors and it will be helpful to identify the better investment options in the market. Their level of awareness about the various aspects of investment avenues available in the study area is considered.

## **Rationale of the Study:**

Indian economy is growing significantly. It has various investment options. The study has been undertaken to analyze whether the investment avenues have gained importance among the people (or) not. This analysis on individual investors behavior is an attempt to know the profile of the investor

and also know the characteristics of the investors so as to know their preference w. r. t their investment. The study also tries to explore the influence of demographic factors like age, income, gender on risk tolerance level of the investor.

## **Review of Literature:**

### **Avinash Kumar Singh (2006)**

The study entitled " Investment Pattern of People" has been undertaken with the objective, to analyze the investment pattern of people in Bangalore city and Bhubaneswar analysis of the study was undertaken with the help of survey conducted . After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that. All the age groups give more important to invest in equity & except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits. Generally those investors who are invested in equity, are personally follow the stock market frequently i. e. in daily basis. But those who are invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors are more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors are more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

### **Sudalaimuthu and Senthil Kumar (2008)**

Mutual fund is the one of investment avenues the researcher research in this area about investors perception towards mutual fund investments has been analyzed effectively taking into account the investors reference towards the

mutual fund sector, scheme type, purchase of mutual fund units, level of risks undertaken by investors, source of information about the market value of the units, investors opinion on factors influenced to invest in mutual funds, the investors satisfaction level towards various motivating factors, source of awareness of mutual fund schemes, types of plan held by the investors, awareness of risk category by investors, problems faced by mutual fund investors.

Running a successful mutual fund requires complete understanding of the peculiarities of the Indian Stock Market and also the awareness of the small investor. The study has made an attempt to understand the financial behavior of mutual fund investors in connection with the scheme preference and selection. An important element in the success of a marketing strategy is the ability to fulfill investor expectation. The result of these studies through satisfactory on the investor's perception about the mutual funds and the factors determining their investment decisions and preferences. The study will be useful to the mutual fund industry to understand the investor's perception towards mutual funds investments and the study would also be informative to the investors.

### **Sunil Gupta (2008)**

The investment pattern among different groups in Shimla had revealed a clear as well as a complex picture. The complex picture means that the people are not aware about the different investment avenues and they did not respond positively, probably it was difficult for them to understand the different avenues. The study showed that the more investors in the city

prefer to deposit their surplus in banks, post offices, fixed deposits, saving accounts and different UTI schemes, etc. The attitude of the investors towards the securities in general was bleak, though service and professional class is going in for investment in shares, debentures and in different mutual fund schemes. As far as the investments are concerned, people put their surplus in banks, past offices and other government agencies. Most of the horticulturists in Shimla city who belong to Apple belt though being rich have a tendency of investing their surpluses in fixed deposits of banks, provident funds, Post Office savings, real estates, etc. for want of safety and suitability of returns.

### **Manish Mittal and Vyas (2008)**

Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors.



## **Research Methodology:**

This part explain the methodology used in this study. The methodology includes data and sources of data, sample size, area of the study and framework of analysis.

The study is based on primary and secondary data. Primary data have been collected from 100 respondents through a structure questionnaire covering HNI investors of Indore, India. The secondary data have been collected from various books, magazine, journals, news papers and websites.

The samples sizes of 100 respondents.

The sampling technique followed in this study is probability sampling. Simple random techniques are used to select the respondent from the available database. In order to analyse the collected data, the following tools were used.

Simple percentage analysis: it states the frequency and percentage of the customers profile, attitude and opinion regarding peoples.