

Unveiling Investment Horizons: Exploring Financial Avenues and Household Investor Sentiments in Odisha's Capital

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Abstract

The purpose of this study is to find out how household investors think about various financial avenues for investing by stimulating their opinions. Additionally, an effort was made to offer to the government an appropriate mechanism for implementing the plans more effectively and to the maximum satisfaction of individuals investing in a financial instrument. The study investigates the household investor's perception of various financial avenues available for investment in the capital of Odisha. In this study, the primary data was collected using a structured questionnaire from a sample of 255 which was issued to the respondents of the total population and collected 231 responses finally, only 200 samples are considered for analysis, and the balance of 31 was not considered due to incomplete response. It is found that household investors are more inclined to government securities than other financial avenues for investment as the p-value of all the component are less than 0.05 level. Household investors are still inclined towards low-risk financial avenues as they were found to be risk-averse. They still prefer to stay on the safe side of the investment. However, the government should take more steps for simplifying the rules and regulations for investment in government securities.

Keywords: Financial Avenues, Investment, Household, Investors, Risk-free Rate

JEL Classification Code: G400, G410, G500, G510.

Introduction

“Investment is defined as investment activity or activity, while an investor is a person or legal entity with the money to invest or invest. Investment is the placement of a fund that we have today, hoping that it will bring benefits in the future (Nguyen et al.)”. The type of investment varies from person to person and is specific to each one since it is influenced by a variety of factors such as future financial objectives, current and prospective income models, risk tolerance, current necessities, and so forth. Every person in this world wants to invest some amount of their income in some sort of investment tool to make better returns of it, for some future goals and unpredictable problems. As an investor's life stage evolves and his or her investment objectives vary, so does his or her unique investor profile. A nation's economic progress is determined by its investment. The type of investment varies from person to person and is specific to each one since it is influenced by a variety of factors such as future financial objectives, current and prospective income models, risk tolerance, current necessities, and so forth. As an investor's life stage evolves and his or her investment objectives vary, so does his or her unique investor profile. A nation's economic progress is determined by its investment. The contemporary economic outlook of market forces, which denotes investor autonomy, has far-reaching ramifications for their savings and investments.

“When we invest, at least we have planned to have a better life in the future (Sarsour and Sabri)”. The contemporary economic outlook of market forces, which denotes investor autonomy, has far-reaching ramifications for their savings and investments. An investor’s commitment to his future is defined as an investment. A person is labeled as a potential investor if he has more money than he needs for immediate consumption. One of the most important things is why one should invest to beat the cost of inflation. Inflation is nothing but when the value of money drops by which means that the money will not buy you the same amount of the goods which is used to buy. Financial Products act as an investor’s safety on the grounds of their risk appetite and financial status and the risk and return from the financial product. However, investor perceptions vary depending on a variety of criteria such as age, gender, employment, education, and income levels. Many people find investing activity exciting because it allows them to participate in the decision-making process and experience the outcomes of their decisions. Not all investments will be beneficial since an investor will not always make the best investment decisions over a long period. Investment is a serious matter that may have a significant influence on an investor’s long-term financial health. Almost everyone invests in some way. “Initially, individuals who make investments not only use estimates of the prospects for investment instruments, but psychological factors also determine the investment decisions (Hala et al.)”. Even if an investor does not choose particular assets like stock, investments can be made through membership in a pension plan or an employee savings scheme, as well as the procurement of life insurance, a house, gold, silver, bonds, post office savings, or property investment. “Each investment has common characteristics such as potential return and risk. The future is uncertain, and one must determine how much risk you are willing to bear since higher return is associated with accepting more risk, (Pati and Shome)”. Investors who have a thorough understanding of the various options are better prepared to make informed investing decisions. The investor’s decision is determined by the needed rate of return and risk appetite. In general, asset allocation begins with a clear knowledge of the

investment goals, followed by the formulation of an investment strategy. This will be determined from the investor’s perspective. Based on the preceding, this research makes an empirical attempt to investigate the financial avenues for investment and investors’ perceptions of them, particularly in Odisha’s capital Bhubaneswar city. Bhubaneswar is the capital as well as an emerging economic hub of Odisha. With its growing per capital factor, it sees a high inflow of people from various parts of Odisha. Due to its diversified social and economic environment, the authors have taken it as a case study.

Review of Literature

(Mittal and Dhade) stated that post office deposits, derivatives, mutual funds, bonds, real estate, and gold are the most desired financial avenues for investment by students, housewives, service class people, people from a business class, and finance professionals respectively. (IIM Data work) investigated the relationship between bank deposits with educational qualification and found that bank deposits remained the favorite financial avenues for investment irrespective of the levels of educational qualification. (Mittal and Vyas) found that investment decisions taken by investors are significantly affected by demographic variables like marital status, age, education, and income. (Gupta and Jain) found that brokers’ wrong attitude, corporate executives’ maladministration, manipulation of price, and volatility are some of the measure factors affecting the perception of investors towards different financial avenues. (Parihar et al.) concluded that while selecting different financial avenues for investment ease availability, the required rate of return, liquidity, and flexibility are some factors that played an important role. (Krishnamoorthi) found that investors’ decision is affected significantly by the factors like levels of education, job position, and their habit to read investment-related news from journals, a business newspaper, etc. (Kumar) found that factors like appreciation of capital, lower investment amount, and liquidity are the factors affecting investment decisions of investors while investing in equity share. (Kathuria and Singhania) suggested that business media should provide updated news and data regarding the investment environment so

that investors are getting benefitted. He also revealed that employees of banks opined that investment in insurance schemes is a risk mitigation element rather than a financial avenue for investment. (Sasi Kumar and Vikkaraman) concluded that while considering the purpose of investment investors are putting more importance on gold, and in the case of security, investors preferred investment in insurance policies. (Anbarasu et al.) found that the financial knowledge of investors regarding various financial avenues for investment is truncated. (Pati and Shome) concluded that safety comes first for household investors rather than high returns as they choose bank deposits over unsecured financial avenues which are providing higher returns but are less risk-free. (Wang) found that young investors' perception regarding investment in various financial avenues is largely affected by factors like level of income, level of awareness, and skills. (Aggarwal and Rani) revealed that household investors are more conscious of future uncertainties and therefore choose insurance policies over other financial avenues irrespective of their demographic profiles. (Patel and Patel) revealed that household investors are not interested to invest in public funds, saving schemes of post office due to the lower rate of return and gold is the most important financial avenue for female investors. (Bhatt and Bhatt) found that higher level of income household investors chooses to invest in more risky financial avenues like derivatives, equity share, and bonds but lower-income group household investors want to invest in safer financial avenues like saving schemes of the post office and bank deposits. (Palanivelu and Chandrakumar) revealed that bank deposits and insurance policies remain the favorite financial avenues of investment for lower- and middle-income household investors. (Umamaheswari and Ashok Kumar) propelled that most of the household investors choose deposit schemes of the bank for safety purposes and gold, debenture, UTI units, and short-term SIPs for liquidity purposes while taking an investment decision. (Pandey and Vishwakarma) studied the preferences of the young investors in Raipur city by using a simplified questionnaire method, particularly for the age group of twenty-one to thirty-five, and found that young investors are more risk-taking individuals who were preferred

investment in the stock market and mutual funds. (Pradeesh) studied the investor's attitude by following the convenience sampling method in Thanjavur city among 1000 investors and found that investors who belong to the young generation can save more money as they are inclined to invest in different financial instruments regularly. (Rajan et al.) studied the behavior of investors belonging to the IT sector in Chennai city by distributing the questionnaire among 150 salaried individuals following a simple random sampling method and found that their annual income and investment choices are interrelated whereas gender has no relationship with the preferences of investment. (Amaraveni and Archana) studied the investor's investment pattern in Warangal city by administering the questionnaire method among 100 investors with regards to their saving, income, and demographic factors and concluded that investment pattern is directly influenced by the saving, income, and demographic factors. (Sarkar and Sahu) studied the relationship between investment behavior with the demographic factors, risk perception, and attitude in West Bengal and concluded that all the three factors significantly put impact investors' preferences when selecting different financial avenues for investment.

Methods

Most of the studies are related to the investor's behavior towards investment decisions or specific investment avenues. However, it is significant to choose a specific attribute of the behavior of investors to find the in-depth results. In this study perception is the main attribute that is taken to see whether it plays any relevance in the investment of investors while considering various financial avenues. So far, the literature is concerned several studies have been carried out throughout India but very few numbers of studies have been conducted in the Odisha context. Also, it is found that household investors' perception of various financial avenues in Odisha particularly in the capital has not been explored yet. Another important gap is all previous research was focused on all different financial instruments, but this research wholly emphasizes different financial avenues and how investors' viewpoints towards the same. Thus, this status demarks a clear research gap and motivates to make further analysis. So, the

study is an attempt to fill the research gap. To give an updated finding, which helps the stakeholders while taking decisions in their respective fields. This study will take this opportunity to find out the household investor's perception regarding different financial avenues, especially in the Bhubaneswar city of Odisha.

Objectives of the Study

The objective of the study is to find out the perception of household investors towards different financial avenues available for investment in the capital of Odisha. Apart from that, another objective of the study is to identify the factors inherent in the various financial avenues which are stimulating the household investors at the time of investment.

Research Methodology

A survey of the literature on the issue was used to conduct an empirical investigation. This research is based on both primary and secondary sources of information. A structured questionnaire containing Likert's scale items relevant to household investors' perceptions of various financial avenues for investment was developed and delivered to the respondents using a direct interview approach for primary data. Secondary data for this study was gathered from a variety of publications, periodicals, and reports. Only samples from Bhubaneswar, Odisha, were collected using convenient sampling. In this study, the primary data was collected using a structured questionnaire from a sample of 255 which was issued to the respondents of the total population and collected 231 responses finally, only 200 samples are taken into account for analysis, and the balance of 31 was not considered due to incomplete response. Respondents were asked to express their thoughts on the five primary investment possibilities examined in this study. The data collected was fed into an MS Excel file for analysis and subsequent interpretation and SPSS was used. A one-sample t-test with the test value 3 is used at this point to precisely identify investors' attitudes concerning various financial avenues such as bank deposits, shares, mutual funds, government securities, and insurance.

Scope of the Study

However, this study is limited to the capital of Odisha only. Also, since a smaller sample was chosen it may not be a true representative of the population under study.

Results

A. Perception of Household Investors Towards Bank Deposit Factors

Table 1 Household Investors and Bank Deposit Factors

Bank Deposit	N	Mean	SD	SE	T	Sig
Appreciation of Capital	200	4.12	0.714	0.030	40.133	.047*
Inflation adjusted value	200	2.19	0.886	0.029	7.686	.019*
Liquidity	200	4.17	0.848	0.021	9.110	.014*
Risk free return	200	4.45	0.652	0.040	30.404	.039*
Income on regular basis	200	4.39	0.788	0.043	9.871	.031*
Cost of transaction is less	200	4.32	0.722	0.031	9.725	.040*
Protection against the risk	200	4.18	0.983	0.045	0.899	.030*
Minimal rules and formalities	200	4.62	0.901	0.051	3.191	.027*
Ease accessibility	200	4.31	0.970	0.050	31.002	.017*
Opportunity for saving continuously	200	4.37	0.934	0.039	10.221	.033*
Investment for longer period	200	3.19	0.987	0.055	0.994	.006*
Value for prestige	200	3.10	0.647	0.072	5.468	.010*

Note: *, p-value < 0.05. Significant at the 0.05 level.

It is revealed from the table the factors that are relevant to the bank deposits. With the help of mean values and level of significant calculation it is observed that respondents strongly agree with the

factors of Appreciation of Capital, Liquidity, Risk-free return, Income on regular basis, Cost of the transaction, Protection against risk, Minimal rules, and formalities, Ease accessibility, and Opportunity for savings continuously as all these factors mean value is greater than 4. The mean value of Investment for a longer period and Value for prestige is greater than 3, which indicates that investors moderately agree with these factors in a bank deposit. However, the mean value of Inflation-adjusted return is less than 3, which reflects those investors who show displeasing opinions about this factor while considering bank deposits as the alternative financial avenue for investment.

B. Perception of Household Investors Towards Shares

It is revealed from the table 2 the factors that are relevant to the investment in shares. With the help of mean values and level of significant calculation, it is observed that respondents strongly agree with the factors of Appreciation of Capital, Inflation-adjusted return, and Liquidity as all these factors' mean values are greater than 4. Income regularly, Ease of accessibility, Opportunity for saving continuously, and Investment for a longer period as all these factors mean values are greater than 4. The mean value of Opportunity for saving continuously, Investment for a longer period, and Value for prestige are greater than 3, which indicates that investors moderately agree with these factors in investment in share. However, the mean values of Risk-free return, Income on regular basis, Cost of the transaction, Protection against the risk, Minimal rules and formalities, and Ease of accessibility are less than 3, which reflects those investors show a displeasing opinion of this factor while considering share as the alternative financial avenue for investment.

Table 2 Household Investors and Investment in Shares

Shares	N	Mean	SD	SE	T	sig
Appreciation of Capital	200	4.55	0.929	0.042	39.577	.010*
Inflation adjusted value	200	4.19	0.973	0.059	18.228	.032*

Liquidity	200	4.29	0.990	0.047	20.743	.019*
Risk free return	200	2.21	0.917	0.061	11.669	.011*
Income on regular basis	200	2.73	0.981	0.049	10.438	.029*
Cost of transaction is less	200	2.49	0.911	0.052	20.506	.030*
Protection against the risk	200	2.32	0.917	0.057	12.439	.013*
Minimal rules and formalities	200	2.69	0.900	0.039	25.606	.047*
Ease accessibility	200	2.91	0.944	0.055	21.474	.027*
Opportunity for saving continuously	200	3.49	0.889	0.035	7.342	.007*
Investment for longer period	200	3.61	0.807	0.031	22.661	.031*
Value for prestige	200	3.70	0.790	0.070	20.021	.024*

Note: *, p-value < 0.05. Significant at the 0.05 level.

C. Perception of Household Investors Towards Mutual Funds

Table 3 Household Investors and Investment in Mutual Funds

Mutual Funds	N	Mean	SD	SE	T	Sig
Appreciation of Capital	200	4.70	0.820	0.029	29.836	.031*
Inflation adjusted value	200	4.83	0.518	0.030	30.510	.006*
Liquidity	200	4.31	0.678	0.028	19.133	.027*
Risk free return	200	3.77	0.651	0.019	29.091	.026*
Income on regular basis	200	4.17	0.579	0.040	29.858	.030*
Cost of transaction is less	200	3.28	0.519	0.031	11.330	.003*
Protection against the risk	200	2.89	0.701	0.047	30.080	.017*
Minimal rules and formalities	200	3.00	0.989	0.040	14.328	.001*
Ease accessibility	200	4.12	0.790	0.030	19.984	.001*

Opportunity for saving continuously	200	4.13	0.683	0.027	28.900	.040*
Investment for longer period	200	4.69	0.937	0.042	27.228	.020*
Value for prestige	200	3.97	0.577	0.037	30.166	.024*

Note: *, p-value < 0.05. Significant at the 0.05 level.

It is revealed from the table the factors that are relevant to the mutual fund. With the help of mean values and level of significant calculation, it is observed that respondents strongly agree with the factors of Appreciation of Capital, Inflation-adjusted return, Income on a regular basis, Ease of accessibility, Opportunity for saving continuously, and Investment for a longer period as all these factors mean value is greater than 4. The mean value of Risk-free return, Cost of the transaction, Minimal rules and formalities, and Value for prestige are greater than 3, which indicates that investors moderately agree with these factors in the mutual fund. However, the mean value of Protection against the risk is 2.89, which reflects that investors show a displeasing opinion of this factor.

E. Perception of Household Investors Towards Insurance

Table 4 Household Investors and Investment in Insurance

Insurance	N	Mean	SD	SE	T	Sig
Appreciation of Capital	200	4.01	0.662	0.041	30.010	.010*
Inflation adjusted value	200	2.23	0.890	0.021	6.768	.001*
Liquidity	200	2.83	0.873	0.040	7.616	.001*
Risk free return	200	4.29	0.990	0.019	26.550	.005*
Income on regular basis	200	4.27	0.787	0.027	29.138	.023*
Cost of transaction is less	200	4.31	0.893	0.030	31.113	.040*
Protection against the risk	200	4.40	0.927	0.037	32.007	.027*
Minimal rules and formalities	200	3.79	0.891	0.029	25.548	.043*

Ease accessibility	200	4.05	0.888	0.041	31.617	.002*
Opportunity for saving continuously	200	4.31	0.901	0.039	30.301	.001*
Investment for longer period	200	2.91	0.877	0.039	27.893	.039*
Value for prestige	200	4.19	0.899	0.033	31.897	.019*

Note: *, p-value < 0.05. Significant at the 0.05 level.

It is revealed from the table the factors that are relevant to the insurance. With the help of mean values and level of significant calculation, it is observed that respondents strongly agree with the factors of Appreciation of Capital, Risk-Free return, Income on regular basis, cost of transaction is less, protection against risk, Ease accessibility, Opportunity for saving continuously, and value for prestige as all these factors mean value are greater than 4. The mean value of minimal rules and formalities is 3.79 and indicates investors moderately agree with the factor. However, inflation-adjusted value, liquidity, and investment for a longer period are 2.23, 2.83, and 2.91 respectively. It is found that investors show a displeasing opinion of the factors like inflation-adjusted value, liquidity, and investment for a longer period.

F. Perception of Household Investors Towards Government Securities

Table 5 Household investors and Investment in Government Securities

Government Securities	N	Mean	SD	SE	T	Sig
Appreciation of Capital	200	4.06	0.662	0.029	30.109	.010*
Inflation adjusted value	200	4.21	0.811	0.03	6.788	.007*
Liquidity	200	4.13	0.855	0.021	7.818	.003*
Risk-Free Return	200	4.40	0.743	0.039	30.001	.040*
Income on regular basis	200	4.29	0.822	0.029	29.158	.021*
Cost of transaction is less	200	4.31	0.594	0.019	31.082	.019*

Protection against the risk	200	4.40	0.563	0.030	32.198	.002*
Minimal rules and formalities	200	2.91	0.881	0.022	19.992	.010*
Ease accessibility	200	3.00	0.888	0.041	25.801	.032*
Opportunity for saving continuously	200	4.45	0.929	0.027	30.390	.027*
Investment for longer period	200	4.70	0.890	0.055	37.047	.001*
Value for Prestige	200	4.19	0.798	0.017	29.894	.015*

Note: *, p-value < 0.05. Significant at the 0.05 level.

It is revealed from the table the factors that are relevant to the government securities. With the help of mean values and level of significant calculation, it is observed that respondents strongly agree with the factors of Appreciation of Capital, inflation-adjusted value, liquidity, Risk-Free return, Income on regular basis, cost of transaction is less, protection against risk, Ease accessibility, Opportunity for saving continuously, investment for a longer period and value for prestige as all these factors mean value are greater than 4. However, the mean value of minimal rules and formalities is 2.91. It is found that investors show displeasing opinions about the factor of minimal rules and formalities.

Discussion

From the analysis, it is found that investors strongly agree with all the factors in bank deposits except for three factors. They have given a displeasing opinion towards inflation-adjusted value and moderately agree with the two factors i.e., investment for a longer period and value for prestige. As most of the bank's deposits provide lower interest rates to the investors on their deposits, the value received is not at par with the increasing inflation rate. This is affecting their perception to invest for a longer period in bank deposits also and for this reason, they moderately agree with the factor longer period of investment in bank deposits. They also moderately agree with the factor value for prestige because of their erosion in investment value over time. All the banks must make a policy regarding

the time value of money so that household investors will get their desired return from their investment in bank deposits (Pradeesh). In the case of shares, all the investors strongly agree on the factors like capital appreciation, inflation-adjusted value, and liquidity. They moderately agreed on the factors like an opportunity for saving continuously, investment for a longer period, and value for prestige. However, they were given a displeasing opinion towards factors like risk-free return, income on regular basis, cost of the transaction, protection against the risk, and minimal rules and formalities and the findings are consistent with those (Krishnamoorthi; Gupta and Jain). Household investors in Odisha accept that investing in shares will lead to capital appreciation as well as they will get an inflation-adjusted return. But at the same time, they are risk-averse investors and want more protection for their hard-earned money. Also, they want a regular income like a monthly return and also need minimum rules and formalities while going for investment in shares. "It is advised that before entering into the stock market, the investors have to learn a complete knowledge about the stock market (Anbarasu et al.)". The investor has to invest their money in less risky securities like a mutual fund, and debenture as the securities have a minimum risk while comparing investment in shares (Amaraveni and Archana). Policymakers should initiate more investor education programs and also take steps to open investment education centers by inculcating short-term courses, and workshops so that it will boost the investor's confidence level. As a result, through these steps, it becomes very easy to erase all the myths regarding investment and boost financial welfare (Sasi Kumar and Vikkaraman). In the case of the mutual fund, it is found that investors were given a displeasing opinion towards the factor like protection against the risk. It is found that they are either worried or reluctant for this purpose when selecting a mutual fund as a financial avenue for the investment and the findings are consistent with (Wang; Parihar et al.). Government should make a policy where investors will get a fixed risk-free return that is at par with the return received from government securities so that investors' sentiment gets confidence for mutual fund investment (Parihar et al.). In the case of insurance, investors strongly

agree to most of the factors except inflation-adjusted return and investment for a longer period. They opined that in insurance also their return in the form of maturity value is not commensurate with the concept of the time value of money. whatever investment amount they received after the maturity of their policy, is not enough following the rising inflation. That is why they also gave a displeasing opinion towards longer-term investment in the insurance policy. Government should take the initiative to back up the investors by inculcating clauses in the insurance policies regarding the inflation-adjusted real return (Aggarwal and Rani). Among all the financial avenues for investment as per the result, investors' perception of government securities is the most favorable one. All the household investors strongly agree with the factors regarding investment in government securities and the findings are consistent (Krishnamoorthi; Kathuria and Singhania; Pandey and Vishwakarma). However, they showed a displeasing opinion towards minimal rules and formalities factor. They felt that government should take more steps for simplifying the rules and regulations for investment in government securities. Apart from that because all the investors in the study were favorable towards investment in government securities, maintaining and regulating a competitive rate of return on investment also brings a competitive environment for banks to increase their interest rate on their bank deposits so that it will change the investors displeasing perception as they mentioned on inflation-adjusted return from bank deposits. "No pain no gain" is the golden principle of investment management. "No doubt, in this fast-moving world, investors can earn more money by following an appropriate investment strategy (Patel and Patel)".

Conclusion

Some household individuals are risk-averse investors and some are risk-takers. In today's investment world various investment avenues are available. However, each investment avenue's returns, risk, and volatility assumptions are not similar. Although investment in various avenues is depend on the risk perception of household investors. Therefore, their pattern of investment in different avenues is also different. So, it is imperative to study their perception of various avenues for investment, to

grasp an idea regarding how the individual household investors behave at the time of assigning their hard-earned money into various financial avenues which will help the financial managers, financial analysts, and other financial professionals in making effective investment strategy.

The various investment tools which were mostly preferred by the investors were government securities. So, there should be various other means to create awareness regarding the potential of other instruments and the tools which can be more beneficial to the investors. The perception levels of household investors are different due to the different investment alternatives they opt for. If they will be aware of each type of alternative and the worth of the alternatives then investing as per that their satisfaction level will also be high. There should be rational thinking so that the investor can know at what point in time they need capital appreciation instead of reducing the risk and when they need return instead of liquidity. It is wise for the investors that irrespective of always focusing on safety, they should look after sustainable returns from their investments. Sustainable return is the return that is the amalgamation of inflation-adjusted plus risk-adjusted returns. Apart from that, the household investor's perception of a return from bank deposits is not satisfactory due to the consistent increment of the inflation rate and government authorities must concentrate on the issue as it is affecting the sentiments of household investors which will indirectly be motivating the investors for withdrawing their funds from bank deposits which may lead to the liquidity crisis in the banking sector.

Household investors need more awareness and education regarding investments like shares and mutual funds and this is very common as their sentiments are based on risk-averse investments. But continuous seminars, short-term courses, and online discussions will surely encourage them to shift their mind from traditional investments to diversified investment strategies. Insurances are no doubt a blue-collar investment avenue for household investors for ages but their weak ability for long-term wealth creation is affecting the fundamental psychology of household investors and insurance companies must focus on consistent as well as compounded growth of return to achieve the sustainable wealth creation. It is concluded that in this era of acceptance people

are still inclined towards low-risk financial avenues as investors were found to be risk-averse as they still prefer to stay on the safe side of the investment. More risk leads to more profit. Investors cannot avoid risk but they can minimize the risk by investing their money in various forms of investments so that they can get a moderate profit.

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