AVENUES OF INVESTMENT, CHOICE CRITERIA AND IT’S RANKING BY URBAN INDIVIDUAL INVESTORS

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ABSTRACT:
Although the opportunities for investment are abundant, financial instruments have become increasingly complex and more and more complicated instruments are being introduced. Faced with an overload of information, what are the criteria on which individuals’ make investment decisions? And how important are these criteria to the individual investors? This paper lists out the various avenues of investment ranging from real assets of gold and real estate to financial assets of Corporate securities like shares and corporate bonds, Mutual fund schemes, Government bonds, Bank deposits, Post office deposits, Deposits with non-banking finance companies (NBFCs), Provident funds like Employees provident fund (EPF) and public provident fund (PPF) and Life insurance policies. The choice criteria considered are long-term appreciation, safety, prestige, liquidity, convenience and risk. This paper intends to find the most important criteria for choosing a particular avenue of investment listed above. Data was obtained using a self administered questionnaire from individual investors across India. Government bonds, corporate bonds, bank deposits, post office deposits, provident fund and insurance are considered to be safe from the individual investors’ perspective. Gold, real estate and mutual funds score highest rank under the long-term appreciation criterion. Shares and NBFC deposits score highest under the liquidity criterion.

KEY WORDS: choice criteria, convenience, investment decision making, liquidity, long-term appreciation, risk, safety.