

# Investment Avenues of Households in Rural Areas

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## Abstract:

Investment is meant for future gains, to meet unexpected emergencies and to fulfill financial goals. People have been investing because of these reasons especially, but there are numerous alternatives available to them depend on their objective. Financial literacy is essential to invest our hard earned money, certain number of researchers found that knowledge about finance is varied from citizen to citizen based on their residential status, urban area citizens have better knowledge compared with rural area citizens. Households in rural areas have a thought of investing their savings in a profitable, safe and more liquidity instruments. Numerous avenues have been avail to everybody but need and objective decide where to invest and how much to invest. This study focused full attention towards investment avenues of households in rural area.

**Keywords:** Households, Investment, instruments of investment..

## I. INTRODUCTION

Investment is the essential in the present society where one tries to put forth the present value of money with an intention to gain surplus in the future in order to meet their financial commitments over a particular period of time. Investment can also be referred as purchasing financial or non-financial assets to gain surplus in the future.

Household investments are one of the major contributors to the economic development of the country. These Investments are made through various Avenues which are easily available to the households. These investments mainly help in pooling of the funds for capital formation and economic development of the country. Some of the avenues available for households to invest are bank deposit, Post Office deposit, Shares, Bonds, Mutual funds, Insurance etc...,

The households Investment Avenues may change or fluctuate from time to time based on their need and preference, socio-cultural factor, behavior of Investor, rate of return etc.,

## II. LITERATURE REVIEW: -

Prof. Sumandiran Pruthviraj and Prof. Gokul G (2016) aimed to find out factors influencing the investment; the study concluded that the factors such as safety, fixed return and fixed term of investment are some of the factors that affect the investment decisions.

Mr. Million Assefa etl., (2018) conducted a study on

financial literacy & investment behavior, the study made an attempt to find out financial literacy among the salaried employees and investment pattern of them, researcher found, the knowledge of investment to salaried employees are poor, common instruments for investment were bank deposits followed by bonds insurance & pension funds. S Umamaheswari made a similar attempt in the same group of people in Coimbatore district and result was similar.

Dr. Nidhi Bansal and Nazia Hassan (2019) the study made on factors Influencing Investment Behavior of citizens of Delhi /NCR, India. Researcher aimed to find out the source of awareness of different avenues of investments and the main cause of investment, the study found that their source of investment avenues were mainly from their family friends and friends, they also concluded that their main cause for investment was to earn returns with low risk and high safety.

M.Nallakannu and V.M.Selvaraj (2018) conducted a study on Investment Pattern of Teacher's. The study aimed to find out the avenues of investment of teacher's, they invest their money in safer environment, need regular income from their investment made with lower risk. It is evident from the study that most of the teachers are considered safety, in order to safeguard their money bank deposits were considered as the main option of the investment followed by Insurance.

Priya Kanshal (2015) conducted a study on Indian women Investment behavior, it aimed to find out factor

that influence investments making decisions among woman. The study had found out that there is no particular factor that influence investment making decisions but long term growth is considered as one of the main factor that influence in investment making & concluded that, the investment which made in form of bank, post office, gold & silver and government securities are considered more safe avenues for investment.

Sunita Totala (2016) study made an attempt to understand the preference of salaried persons investment, it concluded that people get less or more returns in prevailing market return, majority of the salaried persons would invest to deduct their tax and the salaried persons follow risk return trade off.

Murlidhar Ananda Lokhande (2015) made an attempt to study on investment Awareness and patters of saving and investment by rural investors, this study made to find out awareness in rural investors about various investment avenues and their preference and consideration while investing. The study concluded that the investors give their primary preference to invest in government banks, second preference to investments in gold and silver, thirdly to real estate and finally people go for saving certificate, government bonds and insurance. The awareness of people in rural areas regarding Investment avenues is really less.

Prabodh Kumar Panda (2018) made a study on the study on Investment Behavior of the people of Malda town, West Bengal, the study was conducted to identify main objective for their investment and compare the investment objective of male and female respondents, the study stated that the main objective of the respondents were to save for their children education, marriage and other social ceremony and it also stated that female respondents feel safe to invest in nationalized banks, male respondents feels risky to invest share market.

M. Selvakumar (2015) conducted a research on Investment behavior of households in Virudhunagar district, study mainly aimed to find the investment behavior of households, who has various investment avenues. it found out that the safety is the factor that influence more in investment decision of households, socio-economic factor, education and income have a relationship with investment of households.

H.S Umesh And Dr. B. C. Neelakanta (2019) made a research on Savings & Investment Behavior of rural households, this study made to identify the awareness about the investment and the pattern of investment made

by the investor's, it found that the rural households were not educated and had no proper idea about the new scheme of investment that are introduced by the government, it also concluded that investment were made on low risk basis.

Shakshi Bedi and Kajal Chaudhary (2018) examined on Investment Inclination of women investors towards different Avenues of collateral in Rudrapur purview, Uttarakhand. This study made to identify the main avenues of women investor; it concluded that main purpose of women investors are to earn high return or earn profit, they mainly prefer bank deposits.

N. Geetha and Dr. M. Ramesh (2011) made their study on the investment preferences of Indian's, aimed to find out the awareness of people about the investment avenues. Researcher found, certain variables were affecting the preferences of investment like demographic and people weren't aware about the investment alternatives.

Abhay Kumar Gasti (2017) conducted a research on saving and investment behavior of rural households of Dharwad. This study mainly aimed towards analyzing actions of rural investors towards investment. The study concluded that levels of awareness towards investment are high in employee and business classes compared to farmers.

Kapil Kapoor (2016) conducted a study aimed to discovery the different investment patterns of rural and town investors, research concluded that certain investors are risk takers but some are not, the risk bearing capacity is also based on the age of the respondent, mainly people of rural area goes for low risk investment while compared to people of urban areas.

### III. OBJECTIVE:-

- 1) To Study the avenues of investment in Kodagu District.
- 2) To identify the primary considerations for investment of households.

### IV. RESEARCH METHODOLOGY

The survey was conducted among various small-households in a rural area (Kodagu), Karnataka (India), 100 respondents were picked according to random sampling, and approached with standardized questionnaire. Factor analysis mainly used for evaluation.

### Factor Analysis

### Descriptive Statistics

	Mean	Std. Deviation	Analysis N
Return Factor	1.96	.472	99
Risk Factor	1.90	.580	99
Marketability / Liquidity Factor	1.86	.606	99
Tax consideration Factor	1.87	.617	99
Inflation Factor	1.37	.648	99

The Descriptive Statistics table shows the mean value, standard deviation, and number of cases for variables to be included in the analysis.

### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.589
Bartlett's Test of Sphericity	Approx. Chi-Square	16.699
	Df	10
	Sig.	.081

KMO and Bartlett's test shows that the KMO measures of sampling adequacy is 0.589 which means the sampling adequacy is accepted but it is miserable and Bartlett's test signifies there is strong relation between variables.

Tax consideration Factor	1.000	.790
Inflation Factor	1.000	.462
Extraction Method: Principal Component Analysis.		

### Communalities

	Initial	Extraction
Return Factor	1.000	.140
Risk Factor	1.000	.619
Marketability / Liquidity Factor	1.000	.531

Here the variance of 4 variables as the value is greater than 0.4 from the communalities table and the total variables in this table are 5 and the average value obtained is above 0.5

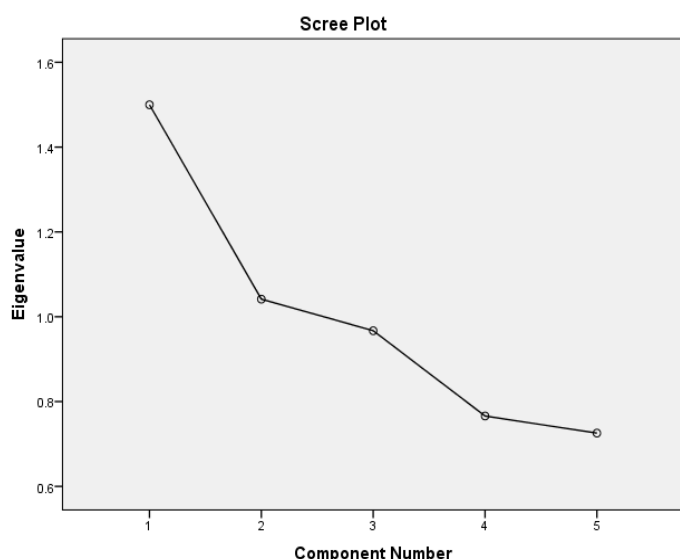
### Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.500	29.999	29.999	1.500	29.999	29.999	1.481	29.617	29.617
2	1.041	20.830	50.828	1.041	20.830	50.828	1.061	21.211	50.828
3	.967	19.341	70.170						
4	.766	15.319	85.488						
5	.726	14.512	100.000						

Extraction Method: Principal Component Analysis.

This intuitively represent the reports of the variance explained by each component as well as the cumulative variance explained by the various components, we are referring to the amount of variance in the total items collected which is explained by 3 component. For instance, component 2 explains 29.999% of the variance in the variables. Specifically, in the item's variance extraction matrix, we could also say, 50.828% of the

variance in our values was explained by the extracted components.



The screen plot displays the Eigen value in the graph where it is seen that there are only 2 factors which has Eigen value above 1 and there are 3 values with value less than 1 which shows the rate of change is minimal.

### Component Matrix

	Component	
	1	2
Return Factor	.343	.149
Risk Factor	.566	-.546
Marketability / Liquidity Factor	.724	-.081
Tax consideration Factor	.294	.839

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Age Group	100	1	4	2.76	.780
Family type	100	1	2	1.79	.409
Factors that influence Investment	100	1	4	1.69	1.022
Return Factor	99	1	3	1.96	.472
Risk Factor	100	1	3	1.90	.577
Marketability / Liquidity Factor	100	1	3	1.85	.609
Tax consideration Factor	100	1	3	1.87	.614
Inflation Factor	100	1	3	1.39	.665
Valid N (list wise)	99				

Here we can see that values are calculated on the basis of various variables where the value of 1.022 is most spread out variable.

### V. FINDINGS:

- Majority of the investors are educated and 53% of them are above the age of 40-50 who tries to save and increase their income.

Inflation Factor	-.672	-.103
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Extraction Method: Principal Component Analysis.  
a. 2 components extracted.

From glancing at the solution we can see there are 2 component where in component 1 has a highest correlation of 0.724 with a lowest value of 0.294. Similarly the 2nd component has a highest correlation of 0.839 and we can see that component 2 has a lowest value of 0.069.

### Rotated Component Matrix<sup>a</sup>

	Component	
	1	2
Return Factor	.305	.216
Risk Factor	.665	-.419
Marketability / Liquidity Factor	.726	.069
Tax consideration Factor	.117	.881
Inflation Factor	-.636	-.238

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

With the two components there are 5 variables which represent the correlation factor, where in the first component is highly correlated with Marketability or the liquid factor with has the highest value compared to other values. The second component highly correlated with tax factor.

- Most of the investment is done out of their personal savings as well as the income which is earned from their house property.

- They prefer to invest in low risk investments.
- Many people intend to invest in many schemes in order to get more income, which includes the interest on it.

- They prefer to invest in Money market, where the

return is directly available.

- Most of them prefer investing in Banks as well as in postal deposits as they are safest means of return

## VI. CONCLUSION:

Awareness of digital payment methods is very less in the households; they have to be educated about the digital transaction so that it would be easy and safe for them to Invest. These Households mainly try to invest in Avenues, which offers high rate of return, marketability and safety of principle. When the Households Invest the main factor that influence them to invest in particular avenue is the safety, where market ensures great security to the investment with higher return is their choice. Study observations reveals, respondents focusing on bank deposits and insurance than capital market instruments. These household sectors are the main contributors to the economic development so higher focus on their investment to be done so that in can gradually increase the economic development in the Nation.

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