PROJECT PROPOSAL

A STUDY ON PREFERENCES OF INVESTORS ON VARIOUS INVESTMENT OPPORTUNITIES

SUBMITTED TO THE IGNOU UNIVERSITY FOR THE AWARD OF THE MASTER OF COMMERCE

SUBMITTED BY

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UNDER THE SUPERVISION OF

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INTRODUCTION

The secret of success in investment is to increase its value. That is a simple statement. It is like advising an investor in the stock market to "BUY LOW, SELL HIGH," The problem is how to do it? These days life seems to be more complicated than ever, with precious little time for a walk in the park or settling down with a good book, leave alone taking time out from one's busy schedule to make and monitor wise personal investment decisions. Investment is never an easy process.

Every individual moving in the pyramid of the hierarchy of needs should first satisfy the need for basic necessities in life and then save for their future. In today's environment, it is prudent for any investor to look into the real interest earned as inflation is moving out of gear. It is imperative that the returns be higher without the risk of losing the principal in an investment. This necessitates for optimization of risk and reward.

Unlike investments, cash in your hand, pays no returns. On the other hand, cash provides more liquidity than investment. People who hold cash must believe that this additional liquidity offsets the loss of returns.

Investing is a complex field of study involving knowledge of various investment tools, terms, concepts, strategies and processes. A study of investment is best accompanied by training-and experience in the field of investment.

Someone who has the knowledge, training and experience to perform financial planning does not necessarily need a planner, advisor or broken to execute a stock trade. However, being able to execute a stock trade is no way under estimating the importance of knowledge, training and experience in the lifetime pursuit of financial goals.

In the last couple of decades with technological and regulatory advancements like arrival of scrip less trade and involvement of Securities and Exchange Board of India [SEBI], execution of trade has been made accessible to individuals themselves through discount brokers and online trading firms.

RATIONALE FOR THE STUDY

With the emergence of these financial instruments that help the investor to hedge the risk, it is essential that the investor should be aware of these financial innovate instruments. Without the adequate understand of these new instruments, the investor shall not enter into relevant contracts or may be just enter into contracts to increase the risk by making wrong selection. In this light, with the growth of equity participation of retail investor in city like Bhubaneswar there is a greater need to understand the investors' preferences towards various investment opportunities.

STATEMENT OF THE PROBLEM

The statement of the problem is a study of "A STUDY ON PREFERENCES OF INVESTORS ON VARIOUS INVESTMENT OPPORTUNITES"

OBJECTIVES OF THE STUDY

Following objectives are formulated for the proposed study.

- To study the factors that influences the investors to invest.
- To know, whether the investors prefer direct investments or indirect investments.

- To find out, whether the investors are going for the financial instruments or other assets (like gold, silver, land, etc.,)
- To analyse whether the investors prefer fixed income securities or variable income securities.
- To know, whether the investors are taking the decision by themselves or with the help of financial advisors.

HYPOTHESIS

- Whether there is any significant difference between the investment behaviour of the investors between direct investments (bank deposits) and indirect investments (insurance).
- Is there any difference between the investment behaviour of the investors between financial securities (shares) and non-financial securities (land & buildings)
- Whether there is any difference between the investment attitude of the investors between fixed income securities (bank deposits) and variable income securities (mutual funds)

RESEARCH METHODOLOGY

Research design is a conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data. Research design is needed because it facilitates the smooth sailing of the various research operations, thereby making research as efficient as possible yielding maximum information with minimum effort, time and money. Research design stands for advance planning of methods to be used for collecting the relevant data and the techniques to be used in their analyses. Preparation of research design should be done with great care as any error may upset the entire project. Therefore it is imperative that an efficient design must be prepared before starting research operations. The design helps the researcher to organize his ideas in a form whereby it will be possible for him to look for flaws and inadequacies.

TYPE OF RESEARCH

Once the problem is identified, the next step is the research design. Research design is the basic framework of rest of the study. A research design specifies the methods and procedures for conducting particular study.

The objectives of the project study necessitate the design of the research to be Conclusive and Descriptive. This is instrumental in providing information for the evaluation of particular courses of action. In this project the researcher will follow the descriptive research design. The study is intended to find the investors preference towards various investment opportunities. The study design is descriptive in nature.

Source of Data:

There are two types of data:

1. **Primary data**
2. **Secondary data**

Primary Data:

The primary data is fresh information collected for a specified study. The primary data can be gathered by observational, experimentation and survey method. Here the entire scheme of plan starts with the definition of various terms used, units to be employed, type of enquiry to be conducted, extent of accuracy aimed etc.,

The methods commonly used for the collection of primary data are:

1. Direct personal investigation, where the data is collected by the investigator from the sources concerned.
2. Indirect oral interviews, where the interview is conducted directly or indirectly concerned with subject matter of the enquiry.
3. Information received through local agencies, which are appointed by the investigator.
4. Mailed questionnaire method, here the method consists in preparing a questionnaire (a list of questions relating to the field of enquiry and providing space for the answers to be filled by the respondents.), which is mailed to the respondents with a request for quick response within the specified time.

Secondary Data:

The secondary data refers to data, which already exists.

The secondary data will be collected from internal records, business magazines, company websites and Newspapers.

Source of data for the study: The primary data will be collected from the customers coming in to stockbroker's office and certain addresses will be collected from reputed brokers.
The secondary data will be collected for this study from books on financial management, internal records, business magazines, company websites and Newspapers.

Research instruments:

For the collection of primary data a structured questionnaire will be prepared covering various aspects of the study.

The questionnaire will contain closed-ended and dichotomous questions.

Population of the study: The entire customer's visiting the stock broking offices at Bhubaneswar will form the population of the study.

Sampling Procedure:

It is a procedure required for defining a population to the actual selection of the sample.

The precision and accuracy of the survey results are affected by the manner in which the sample has been chosen.

Sample:

A part of a population, which is provided by some process on other, usually by deliberated selection with the object of investigating the properties of the parent population set.

Non probability sampling method is in deterministic method where the sample size in numerous and can't be determined. So for our convenience we will take convenience-sampling method where all the population in sample is given equal opportunity.

Sampling Design

1. **Selection of study area:** The study area is in Bhubaneswar.
2. **Selection of the sample size:** 75 respondents will be requested to answer the questionnaire.

Sampling Methods

Convenience method of sampling will be used to collect the data from the respondents. Researchers or field workers have the freedom to choose whomever they find, thus the name "convenience". About 75 samples will be collected from Bhubaneswar and most of the respondents will be customers coming in to stock broker's office and certain addresses will be collected from reputed brokers.

Data collection

The researcher will personally visit the stockbroker offices in Bhubaneswar, area. The customers who visit these offices will be chosen as the respondents. The respondents will be requested to fill in the questionnaire. The researcher will thoroughly check the questionnaire for any mistakes and after cross verifying the answers it will be kept for the data analysis.

TOOLS TO BE USED FOR DATA ANALYSIS

The data collected from the respondents will be put into Microsoft excel software and Percentage analysis will be carried out. The data will be represented in the form of pie charts and meaningful inferences will be made after analyzing the data. For the purpose of testing the hypothesis, percentage analysis and chi-square test shall be used.

LIMITATIONS OF THE STUDY

- Understanding the nature of the risk is not adequate unless the investor or analyst is capable of expressing it in some quantitative terms. Expressing the risk of a stock in quantitative terms makes it comparable with other stocks.
- Measurement cannot be assured of cent percent accuracy because risk is caused by numerous factors such as social, political, economic and managerial efficiency.
- Respondent's bias may be another limiting factor.
- The study will be limited to 75 respondents only.

CHAPTERIZATION

CHAPTER 1: INTRODUCTION

CHAPTER 2: INVESTMENT OPPORTUNITES

CHAPTER 3: RISK, RETURN AND SUCCESS IN INVESTMENT

CHAPTER 4: PLANNING AND PROCESS IN INVESTMENT

CHAPTER 5: TAX CONSIDERATIONS

CHAPTER 6: ANALYSIS AND INTERPRETATION

CHAPTER 7: FINDINGS AND CONLUSIONS

BIBLIOGRAPHY

QUESTIONNAIRE

BIBLIOGRAPHY

Following is the list of books referred:

- Derivatives Analysis and Valuation

  - The ICFAI University Press

- Financial Derivatives: Risk Management

  - V. K. Bhalla

- Option, Futures and Other Derivatives – 5th And 6th Revised Editions

  - John C. Hull

- Introduces Quantitative Finance

  - Paul Wolmott

The following websites were used:

1. http://www.strategies-tactics.com/derivatives.htm#risk
2. http://www.numa.com/ref