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Perceptions of Investors in Debt Instruments

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Abstract
Debt markets attract more investors, as they procure confirmed return with moderate risk along with the capital security. Preference of the investors towards the selection of Investment is being influenced by the various factors such as their attitude towards the risk taking, Expectations towards returns and capital growth, knowledge about the investment alternatives etc. This research study examines the impact of selected variables towards the investment decision of the Debt Market Investors. To bring in to limelight the investors' perceptions towards Debt instruments after conducting a detailed pilot study, a well-structured questionnaire was formulated. A sample of Debt Market Investors from different walks of life (Hyderabad) are selected and their opinions about the Debt Market Investments are collected by using th finalized Questionnaire. Then these data are processed by the application of certain statistical tools from which inferences are derived. These inferences are consolidated to arrive the conclusion for this study. This study also highlights the directions for the future research in the Debt Market Investments. Hypothesis, about investment pattern is formulated and also tested based on different parameters like Gender, age, and occupation of the investors. Objectives of the study are 1. To Establish Relationship between Investors' Age, Gender, Occupation and their mode of trading, 2 To Establish relation between Age of the investors and their investment preferences, 3. To Establish Relation between investors' Risk and Return Analysis and their Education.4. To find out the investment preferences of investors, 5. Impact of gender on Rate of Return on investments. The result of the study is there is significant relationship between age, gender and occupation of the investor and his mode of investment. Likewise, there is relation between age and investment preferences. Except for fixed deposits, there is no relation between education and risk and return analysis of investors. It was found out the major preferences of the investors are safety and liquidity, and this study shows that there is no significant relation between the gender and expected rate of return on investments.

Key Words: *Debt Instruments, Debt Market, Investors Preferences.*

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I. Introduction

The capital market comprises of equities market and debt market. The Debt Market is that kind of market where fixed income securities of various types and features are issued and traded. Debt Markets are therefore, markets for fixed income securities issued by Central and State Governments, Municipal Corporations, Govt. bodies and commercial entities like Financial Institutions, Banks, Public Sector Units, Public Ltd. Companies and also structured finance instruments. Debt Market is a market for the issuance, trading and settlement in fixed income securities of various types. The debt market is any market situation where trading of debt instruments takes place. Examples of debt instruments include mortgages, promissory notes, bonds, and certificates of deposit. A debt market establishes a structured environment where different types of debt instruments can be traded with ease between interested parties. Indian Corporate Bond Market has a healthy mix of domestic investors, including Insurance Companies, at the longer end of the yield curve, and Banks and Mutual Funds at the other end of the curve. Although investment objectives vary from one investor category to another, investment decisions indicate the following patterns:

a) A strong preference for highly rated Debt Instruments, as there is perceived to be liquid.
b) Most investments are held to maturity, either because of internal policies or regulatory restrictions.

Another feature of India's Corporate Debt Market is the absence of contrarians. The investor base in the Debt Market is small; the community is well connected, and well informed about other investors' preferences. Such familiarity pre-empts the emergence of contrarians. However, a combination of contrarians and conventional investors is required for the Debt Market to become vibrant.

II. Objectives Of The Study

Objectives of the Study are

1. To Establish Relationship between Investors' Age, Gender, Occupation and their mode of trading,
2. To Establish relation between Age of the investors and their investment preferences,
3. To Establish Relation between investors' Risk and Return Analysis and their Education.
4. To find out the investment preferences of investors,
5. Impact of gender on Rate of Return on investments

III. Methodology

DATA ANALYSIS

Various statistical tools have been used for the analysis of the data. Appropriate statistical tools were applied according to the objectives and hypothesis of the study. This includes Frequency Distribution, Cross-tabulation, Weighted Average Mean, Chi-Square Analysis, Analysis of Variance etc. Primary data is collected from selected respondents from all walks of life. The sample size (after deleting the improper data) is confined to 260. The collected raw data was classified through SPSS software, and to analyze the classified data different statistical tools like arithmetic mean, weighted average, chi-square analysis, were used (Descriptive Statistics is used to analyze the above Quantitative data).

SAMPLE SIZE

There are total 300 respondents surveyed for the questionnaire. After removing questionnaire with error and half filled, the effective sample size taken for the study of Questionnaire is 260.

Data Collection

primary data is collected from the Debt Market investors by administering a structured questionnaire. As this study is empirical in nature Questionnaire was circulated and data was collected from 300 respondents from all walks of life at Hyderabad city. After removing the improperly filled questionnaires (i.e. 30 questionnaires) the sample size was confined to 260.

Research Design

Through circulating the questionnaire along with personal details of the investors, their investment pattern, impact of age, education, gender, income on their investment pattern and their objective in investing debt instruments were collected

Hypothesis Tested

H_0 ⟶ There is no significance of Age on mode of trading opted for Debt Instruments

H_1 ⟶ There is significant relation between Age and mode of trading opted for Debt Instruments

H_0 ⟶ Thereis no significance of Gender on mode of trading opted for Debt Instruments

H_1 ⟶ There is significant relation between Gender and mode of trading opted for Debt Instruments

H_0 ⟶ There is no significance of Occupation on mode of trading opted for Debt Instruments

H_1 ⟶ There is significant relation between Occupation of the investor and the mode of trading

H_0 ⟶ Income of the investors has no significant influence on their choice of Investment

H_1 ⟶ Monthly Income of Investors highly influences their choice of Investment.

H_0 ⟶ There no significant relationship between age of the investors and their investment preferences.

H_1 ⟶ There is a significant relationship between age of the investors and their investment preferences

H_0 ⟶ There is no significant relationship between Education of investor and risk and return analysis associated with Debt Market Investments

H_1 ⟶ There is a significant relationship between Education of investor and risk and return analysis on Investments

H_0 ⟶ There is no significant relationship between Genders of the Investors And their expected Rate Of Return (ROR) on their Investment in Deb Instruments.

H_1 ⟶ There is a significant relationship between Genders of the Investors and their expected Rate of Return (ROR) on their investment in debt Instruments

Statistical Tools used

The data collected is analyzed through the statistical software and all the three analyses are used i.e 1. Univariate analysis, 2. Bivariate analysis and 3. Multivariate analysis. In univariate analysis all the questions in

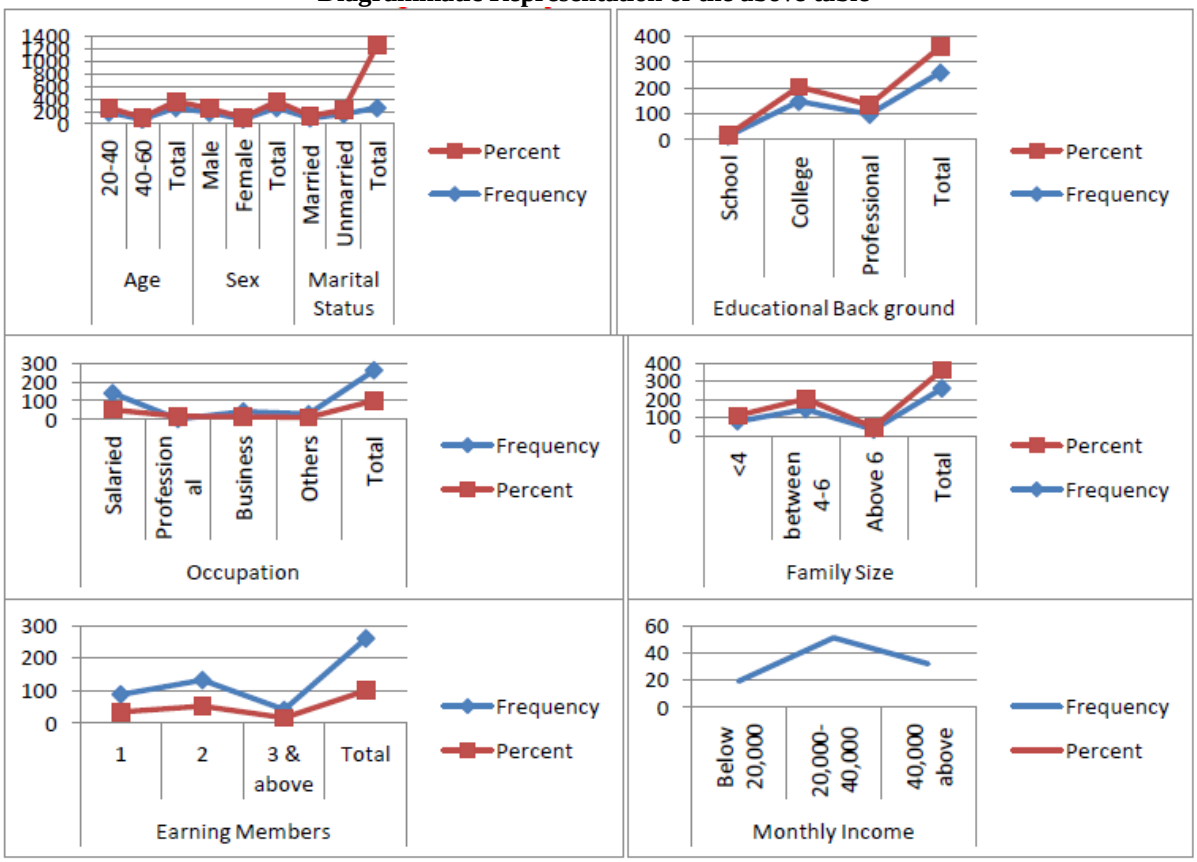
the schedule were analyzed and frequency tables are prepared with interpretations. In bivariate analysis few questions are analyzed by using mean, weighted Average, and chi-square.

IV. Results

Table 1
TABLE SHOWING INVESTORS' PERSONAL PROFILE ANALYSIS

	Age			Sex			Marital Status			Educational Back ground				Occupation					Family Size				Earning Members				Monthly Income		
	20-40	40-60	Total	Male	Female	Total	Married	Unmarried	Total	School	College	Professional	Total	Salaried	Professional	Business	Others	Total	<4	between 4-6	Above 6	Total	1	2	3 & above	Total	Below 20,000	20,000-40,000	40,000 above
Frequency	186	74	260	184	76	260	98	162	260	14	148	98	260	140	4	44	30	260	80	146	34	260	88	132	40	260	19	51	32
Percent	72	29	100	71	29	100	38	62	1000	5	57	38	100	54	18	17	12	100	31	56	13	100	34	51	15	100			

Diagrammatic Representation of the above table



Analysis: In the above table, 71.5% of investors are of the age between 20-40 years, 28.5% are of the age between 40-60 years, 70.8% of investors are male and 29.2% are female, 37..7% are married and 62.3% are unmarried, 53.8% of investors are salaried, 17.7% are professionals, 16.9% are engaged in own businesses, 11.5% are from other category, 5.4% of investors are having only school education, 56.9% are having college education, 37.7% are having professional knowledge/experience towards Debt Market investments,30.8% of investors are having family size with less than 4 members. 56.2% are having 4-6 member family, 13.1% investors are having above 6 members in their family. 33.8% of investors having only one earning member in their family. 50.8% are having min. 2 earning members in their family. 15.4% of investors are having 3 or more than 3 earning members in their family. 14.6% of investors are having <20,000 rupees monthly income. 39.2% of investors are having 20,000-40,000 rupees monthly income. 24.8% of investors are having Rs.40,000 or more than Rs. 40,000 monthly income. 21.5% are having 4 types of income.

Relationship between Investors' Age, Gender, Occupation and their mode of trading

Age wise

H_0 ⟶ There is no significance of Age on mode of trading opted for Debt Instruments

H_1 ⟶ There is significant relation between Age and mode of trading opted for Debt Instruments

Gender wise

H_0 ⟶ There is no significance of Gender on mode of trading opted for Debt Instruments

H_1 ⟶ There is significant relation between Gender and mode of trading opted for Debt Instruments

Occupation wise

H_0 ⟶ There is no significance of Occupation on mode of trading opted for Debt Instruments

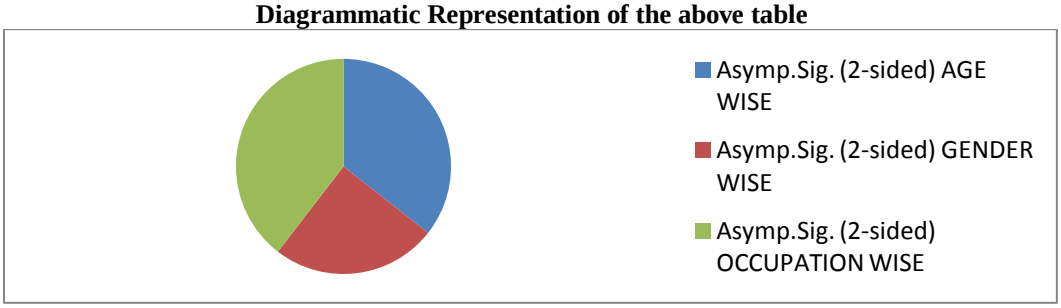
H_1 ⟶ There is significant relation between Occupation of the investor and the mode of trading

Table 2

Chi-Square Result

	Asymp.Sig. (2-sided)		
	AGE WISE	GENDER WISE	OCCUPATION WISE
Pearson Chi-Square	.179	.125	.199
Hypotheses Accepted	H_0	H_0	H_0

Diagrammatic Representation of the above table



Chi-Square Analysis

The above Chi-Square result clearly shows that, there is no significant relationship between age and mode of trading opted for Debt Instruments. (As the Asymp. Value is more than 0.05, i.e 0.179). So Null Hypotheses (H_O) is accepted.

The above Chi-Square Test clearly shows that, there is no significance between Gender of the Investor and mode of trading opted by him/her for Debt Instruments. (As the Asymp. Value is more than 0.05 i.e. 0.125). So Null Hypotheses is accepted.

The above Chi-Square Test clearly shows that, there is no significance between Occupation of the investor and mode of trading opted by him/her for Debt Instruments. (As the Asymp. Value is more than 0.05 i.e 0.199). So null Hypotheses is Accepted.

Sectoral preferences for Debt instruments

Situation 1.

Establishing relation between Monthly Income and preference for Sectoral Stocks

H_0 ⟶ Income of the investors has no significant influence on their choice of Investment

H_1 ⟶ Monthly Income of Investors highly influences their choice of Investment.

Table 3

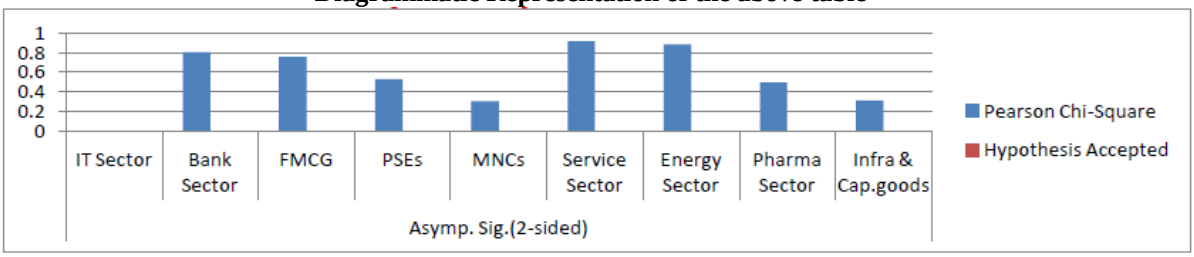
Chi-Square Result

Monthly Income

	Asymp. Sig.(2-sided)								
	IT Sector	**Bank Sector**	**FMCG**	**PSEs**	**MNCs**	**Service Sector**	**Energy Sector**	**Pharma Sector**	**Infra & Cap.goods**

Pearson Chi-Square	.000	.801	.754	.523	.301	.910	.881	.495	.305
Hypothesis Accepted	H_o	H_1	H_1	H_1	H_1	H_1	H_1	H_1	H_1

Diagrammatic Representation of the above table



Chi-Square Analysis

Interpretation:

In the above table the Chi-Square result for investment in Debt Instruments for different sctors is more than acceptable level i.e. 0.05. For Banking sector .801, for FMCG .754, for PSEs .523, for MNCs it is .301, for Service sector .910, for Energy sector it is .881, Pharma sector .495, and for Infra & Capital Goods sector it is .305. ForIT sector it is .197

So the result clearly states that Monthly Income of the investors highly influences their choice of investment for the Debt instruments in the above sectors. So Alternate Hypothesis ($H_{1)}$ is accepted for them.

Situation 2

Establishing relation between Age of the investors and their investment preferences

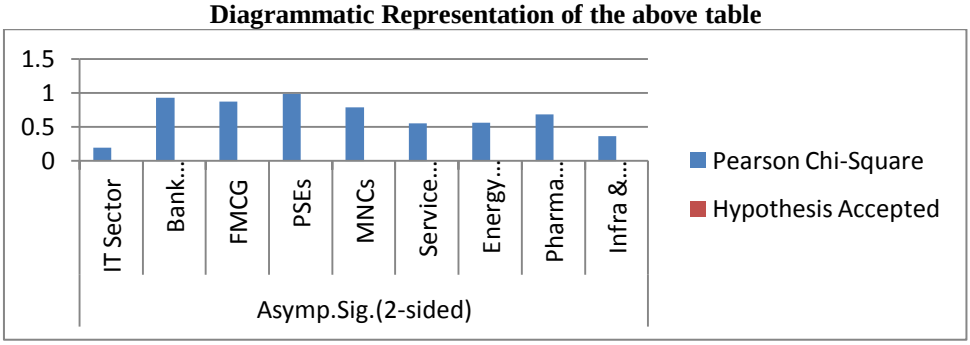
H_0 ⟶ There no significant relationship between age of the investors and their investment preferences.

H_1 ⟶ There is a significant relationship between age of the investors and their investment preferences.

Table 4
Chi-square Result

	Asymp.Sig.(2-sided)								
	IT Sector	**Bank Sector**	**FMCG**	**PSEs**	**MNCs**	**Service Sector**	**Energy Sector**	**Pharma Sector**	**Infra & Cap. goods**
Pearson Chi-Square	.197	.928	.869	.984	.792	.554	.561	.685	.367
Hypothesis Accepted	H_1	H_1	H_1	H_1	H_1	H_1	H_1	H_1	H_1

Diagrammatic Representation of the above table



CHI-SQUARE ANALYSIS:
Chi-result for all the investments is more than acceptable level i.e. .05. So it is proved that there is significant relationship between age of the investors and their investment preferences. So Alternate Hypothesis (H_1) is accepted.

Relation between Investors' Risk and Return Analysis and their Education

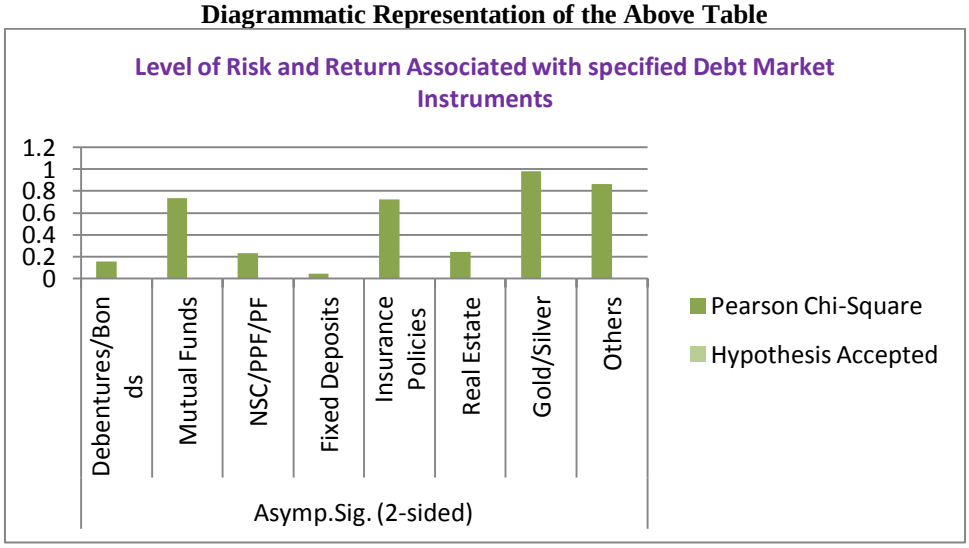
H_0 ⟶ There is no significant relationship between Education of investor and risk and return analysis associated with Debt Market Investments

H_1 ⟶ There is a significant relationship between Education of investor and risk and return analysis on Investments

Table 5
Education wise chi-square results

	Asymp.Sig. (2-sided)							
	Debentures/Bonds	**Mutual Funds**	**NSC/PPF/ PF**	**Fixed Deposits**	**Insurance Policies**	**Real Estate**	**Gold/Silver**	**Others**
Pearson Chi-Square	.154	.738	.234	.045	.724	.242	.981	.861
Hypothesis Accepted	H_1	H_1	H_1	H_o	H_1	H_1	H_1	H_1

Diagrammatic Representation of the Above Table

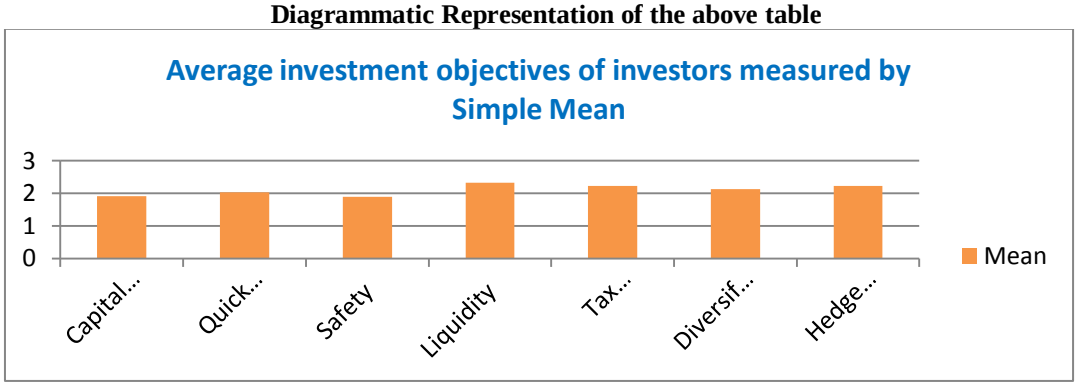


Analysis: In the above table except for fixed deposits, there is no significant relation between education and risk and return analysis Associated with other Debt instruments. (For FD Asymp.sig value is <0.05)
So for all other Debt Instruments except Fixed Deposits null Hypotheses is Accepted. For Fixed Deposits (H_1) Alternate Hypotheses is accepted.

Table 6
Priority of the investors in their investment objectives simple mean results

	Capital appreciation	Quick Gain	Safety	Liquidity	Tax benefits	Diversification of asset holdings	Hedge Against inflation
Mean	1.91	2.04	1.9	2.32	2.23	2.14	2.22

Diagrammatic Representation of the above table



Analysis: In the above table Total Respondents 260. Male Respondents are 46% of the total respondents, Female Respondents are 54%, Highest 39% of Male Investors prefer Safety for their investments. Least i.e.18% Male seeks for Quick Gain in their investments. Highest 36% of Female Investors are interested in Safety for investments, Least 11%of Female Investors are investing in Right/Bonus issues, 37% of respondents (both male and female together) are giving preference to Safety for their investments. Debt instruments with capital appreciation and instruments with Tax benefits are the least priority of the investors i.e.1%. The Liquidity feature of Debt Instruments has highest Mean Value i.e. 2.32 That means max. Max. Investors are keen for the safety in their investments (37%). Max. Investments are in the liquid instruments (Mean is high value with liquid instruments), with safety. On the whole investors' first preference is for safety and liquidity of the instruments but not the Capital Appreciation or Tax Benefits.

Impact of Gender of investors on expected Rate of Return (ROR)
HYPOTHESIS:
Impact of Gender on ROR of the Investments
H_0 ⟶ There is no significant relationship between Genders of the Investors And their expected Rate Of Return (ROR) on their Investment in Deb Instruments.

H_1 ⟶ There is a significant relationship between Genders of the Investors and their expected Rate of Return (ROR) on their Investment in debt Instruments

Table 7
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.090(a)	3	0.044
Hypothesis Accepted			H_o

CHI-SQUARE ANALYSIS:

The above Chi-Square Test clearly shows that there is no significant relation between the Genders of the Investors and their expected Rate of Return (ROR) on their Investment in Debt Instrument. Reason is the Asymp.sig. Value is .044 which is less than the acceptable value 0.05. So Null Hypothesis(H_0) is accepted.

V. Conclusion

This research paper related to perceptions of investors towards debt market instruments, deals with primary data (supported by secondary data) analysis, collected through two structured questionnaires, circulated to selected(sample) respondents. Total 28 questions (two questionnaires together) were prepared to gather the information right from their personal information to the factors that influence their investment pattern. The gathered information is assessed through SPSS software and different statistical tools were used to draw the inferences. The gist of the inferences and analysis is that, debt markets attract more investors, as they fetch confirmed return with moderate risk along with the capital security. Preference of the investor towards the selection of Investment is being influenced by the various factors such as their attitude towards the risk taking, Expectations towards returns and capital growth, knowledge about the investment alternatives etc.

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