

**“AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR
OF NRIs WITH REFERENCE TO ERNAKULAM DISTRICT”**

Dissertation

Submitted by

THARA KRISHNA K.R : (SM20COM025)

Under the guidance of

Ms. REEMA DOMINIC

In partial fulfillment of the requirement for the Degree of

MASTER OF COMMERCE



ST. TERESA'S COLLEGE ESTD 1925

ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

Nationally Re-Accredited with A++ Grade

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CERTIFICATE

This is to certify that the project titled **“AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR OF NRIs WITH REFERENCE TO ERNAKULAM DISTRICT”** submitted to Mahatma Gandhi University in partial fulfillment of the requirement for the award of Degree of Master’s in Commerce is a record of the original work done by Ms. Thara Krishna K.R, under my supervision and guidance during the academic year 2021-22.

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DECLARATION

I, Thara Krishna K.R, final year M.Com student, Department of Commerce (S.F.), St. Teresa's College (Autonomous) do hereby declare that the project report entitled **“AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR OF NRIs WITH REFERENCE TO ERNAKULAM DISTRICT”** submitted to Mahatma Gandhi University is a bonafide record of the work done under the supervision and guidance of Ms. Reema Dominic, Assistant Professor of Department of Commerce (S.F.), St. Teresa's College (Autonomous) and this work has not previously formed the basis for the award of any academic qualification, fellowship, or other similar title of any other university or board.

PLACE: ERNAKULAM

THARA KRISHNA K.R

DATE:

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First of all, I am grateful to God Almighty for his blessings showered upon me for the successful completion of my project.

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Thara Krishna K.R

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Chapter 1
INTRODUCTION

1.1 TITLE OF THE STUDY:

“An Analytical Study on Investment Behaviour of NRIs with Reference to Ernakulam District.”

1.2 INTRODUCTION

India, officially the Republic of India, is a country in South Asia. It is the seventh-largest country by area, the second-most populous country, and the most populous democracy in the world. India is a miracle waiting to happen, not the miracle of the mystics and sages as has been its traditional image. It is poised for dramatic economic changes with the ushering in of an era of bold liberalization and economic freedom. It is on the verge of moving forward. India's best resource are its peoples, both in quantitative and qualitative terms. Interestingly, Indians performs much better outside India.

A **Non-Resident Indian** is a citizen who has migrated to another country, a person of Indian origin both outside India, or a person of Indian origin who resides permanently outside India. The number of persons going abroad for employment and in search of better opportunities has shown a remarkable increase since independence. The NRIs are an asset to our nation and a great strength to Kerala. The effect of this migration is felt in every aspect of the economy and the society in Kerala. The prosperity and economic growth of the states have a correlation with the remittance from Non-Resident Keralites. During the last quarter of the 20th century, the cash remittance received by Kerala households from abroad showed a tremendous growth. The contributions and supports from the NRIs to our national and state economy are very high. Remittances from the NRIs of Kerala have emerged as the most dynamic single factor that contributes to the economy of the state. In the context of continued failure on the agricultural front, stagnation in industrial sector and the shortfall in employment opportunities resulting greater unemployment among the educated youths, migration from Kerala has contributed more than any other factor to poverty alleviation in the state.

Everyone knows that NRIs are really the strongest foundation of Kerala's economy. A substantial financial investment in infrastructural sector in Kerala is the contribution of NRIs. Financial investment from NRIs is to be utilized in such a way as to help the development of not only individuals but the state and nation also. Construction and modification of palatial houses have a demonstration effect in our society. After 90s there were lot of attractive investment platforms in India to channelize the remittance of NRIs to the productive sectors which provides double sided benefits i.e., for both NRIs and the country. However, the recent trends in NRIs investment behavior shows that the investment is more confined to the traditional sectors such as real estate, business, gold etc. This makes the study more relevant in the socio-economic condition of Kerala, particularly that of Ernakulam district. Ernakulam is part of Kochi referred to in the history of Kerala as the Queen of Arabian Sea. The densely populated Ernakulam district embodies the achievements of Kerala state in literacy, industry, trade and commerce. With an inclusive culture, relatively high per capita income and an unstoppable interest of the people in updating themselves of the political, economic, social and cultural happening in the national and international spheres, Ernakulam represents the high modern phase of the Kerala society.

1.3 SIGNIFICANCE OF THE STUDY

As stated by the International Monetary Fund in May 2008 it is clear that with the onset of Globalisation way back in 1990 it ensures the dependence between countries either sharing a positive impact and economic growth. The real development of Indian Economy could be developed by streamlining and channelizing the remittances of the NRI's towards the development Productive Process. Even though studies have been conducted on the NRI's of India only a general study had been put forward. Through this thesis the in-depth study of the problems of NRI's in Investment decisions, the channelization of funds of NRIs to productive purpose, NRI investment educational programs conducted for this cause, etc are dealt in detail with emphasis given to Ernakulam District. Proper investment decision and proper planning are the one-time achievement of a prospective investor. They are necessary for proper planning for one's life's span

and longevity. Investors should be familiar with various forms of saving outlet in our country for making a wise investment decision. The growth and development of the country for better economic activity has led to an introduction of a vast array of investment outlets. A study on NRI investment avenues and investment behaviour among the Non-Resident Indians are helpful to encourage investors to contribute their savings to those schemes which are well structured and which have been constituted within the legal scenario. It highlights the investors to identify the casual investment mistakes made by investors. This study has the benefit of understanding the impact on investment and its investing time span.

1.4 STATEMENT OF THE PROBLEM

The current point is predominantly chosen to dissect the investment behaviour of NRIs with unique reference to Ernakulam District particularly Ernakulam individuals. Here an attempt made to focus on various investment alternatives and investment habits among the NRIs. India holds the number one position globally especially in terms of receiving remittances from abroad. Settlements from NRIs are the establishment stones of the Kerala economy as well as Indian economy. The huge remittance by NRIs of Kerala origin is a concrete pillar to the Kerala economy, and this trend had been lasted for the past three to four decades. The inflow of investments is very crucial for the development of the nation and the study shows to what extend the NRIs are preferring their investment in various avenues and what are the discouraging factors felt and faced by them.

1.5 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To examine the investment motives of NRI investors.
- To analyse the factors influencing the investment decision making of NRIs.
- To examine how far the NRIs are aware of the investment opportunities, incentives and concessions are extended to them and to study their response to such facilities.

- To measure and analyse the general welfare of the NRIs.
- To study the Demographic factors of the NRIs.
- To study the satisfaction level of NRI investors.

1.6 HYPOTHESIS OF THE STUDY

H1: There is significant difference in investment criteria between men and women NRI investors.

H2: There is significant association between the demographic factors and the factors affecting investment decisions.

H3: There is significant difference in NRIs preference in various investment avenues.

H4: There is significant difference in source of investment opportunities of NRIs according to their investment motives.

1.7 SCOPE OF THE STUDY

The scope of the study is limited to the NRIs of Ernakulam District who have invested their money in various investment avenues in India. The Ernakulam District has 2 revenue divisions namely Fort Kochi and Muvattupuzha. There are 7 taluks and 124 villages. The 7 administrative taluks in Ernakulam are Aluva, Kunnathunadu, Kochi, Knayannur, Kothamangalam, Muvattupuzha and Paravoor. The study was conducted on 100 respondents selected on the basis on convenience random sampling method used to collect data about investment behaviour of NRIs who invested in Ernakulam District. The research can study or do research in future investment style and knowledge about investment in India by the NRIs.

1.8 RESEARCH METHODOLOGY

Research methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of

methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as theoretical model, phases and quantitative or qualitative techniques.

- ❖ **TYPE OF RESEARCH:** The research is descriptive in nature.
- ❖ **SAMPLING SIZE:** 100 number of NRI investors selected from various cities of Ernakulam District.
- ❖ **SAMPLING METHOD:** Convenience Random Sampling method is used for the study.
- ❖ **TYPES OF DATA:** Primary and Secondary sources of data were used for this study.
- ❖ **DATA COLLECTION:** The primary data for the study was collected through surveys and questionnaires from NRIs of Ernakulam District who have invested their funds in various venues of investment in India. Secondary data collected through published articles in journals, books and past studies.
- ❖ **TOOLS FOR ANALYSIS:** The collected data were analysed with the help of scientific statistical tools such as: (a) Percentage Analysis (b) Graphs (c) Chi-square (d) ANOVA (e) T-Test.

1.9 LIMITATIONS OF THE STUDY

- The size of the sample is very small as compared to the total population of NRIs in Ernakulam District. Hence it may not represent the whole population.
- The study is limited to Ernakulam district

- Validity and reliability of data depends on the openness of the respondents. There may be more chances of bias because the study is only based on limited respondents selected by means of convenience random sampling.
- It is a lengthy and time-consuming process; due to paucity of time a wide survey was not possible.

1.10 CHAPTERISATION OF THE STUDY

This study includes five chapters such as;

- I. Introduction
- II. Review of Literature
- III. Theoretical Framework
- IV. Data Analysis of Respondents
- V. Findings, Suggestions and Conclusion

Chapter 2
REVIEW OF LITERATURE

2.1 SarathChandran M.C (2015)¹ found that foreign countries had invested around 70-80% in India. The study concluded that if proper steps are taken by mutual fund companies in India it would increase their investment in mutual funds. Through, there was transparency in the operations, liquidity return on more than half of the funds were less than benchmark indices during the 26 period under study. This situation had led to a withdrawal of funds by certain class of conventional investors.

2.2 Namrata Jhingan (2014)² conclude that investment opportunities are ample as well as there is a boom area with regard to investment in Capital Markets. He has clearly stated that the regulations put forwarded by FEMA would definitely attract the investments of NRIs and PIOs to invest in Capital Market. It is also to be noted that after the repealing of the Foreign Exchange Regulation Act, the foreign investment in India is considerably increasing day by day. Among the different kinds of investment, the investments in the capital market by the NRIs have flourished. But there is a need for them to have a detailed study about the investment opportunities in the capital market and also to confirm that the laws in India are sufficient enough to deal with all the issue that would arise in the future.

2.3 PR Nidhi (2014)³ The research attempted to understand the financial planning pf NRI families in UAE and the role of women in the financial planning. As the tradition goes, the women play a critical role and the higher the role of women, effective the planning and its is observed that there is a strong correlation among the two aspects. The planning is analyzed separately with the respective dependent variables and also the role of spouse/ women in these variables. The results indicate the women play a decisive role and thus the effectiveness of overall financial planning is improved with their help.

2.4 Sravanthi S and Damodaram Sanjivayya (2013)⁴ shows clearly the various investment avenues. They have made a conclusion that India boasts of a large

investment. The factors that help India to excel in this field is its right for potential grades on financial development of business in India, political stability of the territory, high asset grades and favorable foreign investment principles. All these factors can certainly create a flawless atmosphere for investors to invest in India. It is clearly mentioned that the NRIs are interested in parking their funds in India, but precaution has to be taken while committing the funds. First, by ensuring minimization of deception or bad recommendations, through selection of a credible economic advisor.

2.5 The Dept. of Economics and Statistics Kerala, Pravasi Malayali Census Report (2013)⁵ revealed that in 2013, there are 16.26 lakh peoples are working in abroad and there are at least 50 lakh peoples of Kerala (1/6th of total population) are depend on NRIs and their remittance. The report also revealed that out of total NRIs in Kerala, approximately 78% are youngsters. The report also indicates that out of total NRIs 35% working in UAE and 28% are working at Saudi Arabia.

2.6 Nurasyikin Jamaludin (2013)⁶ explored the role of religion in individual's investment choice decisions. There was an equal proportion of Muslims maintaining their savings in the default fund as well as investing part of their savings in a unit trust fund. In contrast, a majority of non-Muslims preferred to invest part of their savings in unit trust. Religiosity was viewed from a multidimensional approach and accordingly two sets of instruments were used; the Religious Commitment Inventory and Muslim Religiosity. The Chi-Square test indicated that there is no significant differences in investment choice decision among individuals with different levels of RCI and Muslim religiosity respectively. These results suggest that religiosity does not significantly influence individual's investment choice decisions, particularly when it comes to investing part of their retirement savings in a unit trust.

2.7 P Chiranjeevi (2013)⁷ The main conclusion of the study showed significant growth in all areas during the last decade. It also pointed out that Mutual Funds

penetration was low and skewed towards institutional investors. The result of the conducted survey also suggested that the investors could be grouped into market segments ensuring homogeneity within groups and heterogeneity across groups. The study also suggested boosting investor confidence in Mutual Funds.

2.8 Sunil Fernandes (2013)⁸ mentioned that NRIs are not allowed to invest in every type of saving instruments in India. He said that NRIs should keep in mind the ability to repatriate funds at the time of emergency as well as tax efficiency of the instrument. The four options stated were: investments in NRE fixed deposits, investment in Government bonds and securities, investment in Mutual funds and investments in NRO Fixed Deposits. He also stated that investment in NRE fixed deposits was prominent since it was tax free.

2.9 Jain and Mandot (2012)⁹ The research conducted in Rajasthan and it indicates that the investment decision is affected by the demographic factors. They have different attitudes towards decision making, some risk seekers and some risk averse. People with different ages, income level, knowledge, gender, marital status and occupation makes different decisions.

2.10 Pandiyan and Aranganathan (2012)¹⁰ The study described the attitude of the salaried person towards investments. Investment is very important factor in economic development of any country. The salaried person needs security and guaranty of the investment he made out of his salary. Many new salaried people make wrong decision regarding their investments. Government should use proper measures to assure the investments and increase the saving habits among salaried persons.

2.11 Aduda, Oduor and Onwonga (2012)¹¹ The conventional finance theories put emphasis on theories such as Modern Portfolio Theory as well as Efficient Market Hypothesis. The advancement of these theories in the form of behavioral finance

focuses on the cognitive and emotional factors that affect the individual decision-making process. This study used overconfidence, cognitive dissonance, regret theory and prospect theory. The influence of these factors was checked on the investors of Kenya (Nairobi Stock Exchange). Investors show rational as well as irrational behaviours due to different emotional and cognitive factors.

2.12 Gnani, Ganesh and Santhi (2012)¹² Factors that affect the investor's behaviour have their intensity to affect. The study used five factors such as Self-image or Firm-image, Accounting information, Neutral information, Advocate recommendation and Personal financial needs. They admit that all these variables affect the investor's decision making but with different intensity. Accounting information has high intensity towards affecting investors behaviour and advocate recommendation has least effect on investors decision making.

2.13 Iqbal and Usmani (2011)¹³ The research conducted on Karachi stock exchange investors to get the factors influencing the decision making. The stock purchase decision is based upon the wealth maximization. Investors take family and friends recommendations as well as use accounting information, but most of the investor's decision is based upon their own will and are not influenced by anyone. Individual investors lack skills due to which the decision making of investors suffers.

2.14 S. Kala (2011)¹⁴ mainly focused on the pattern of individual investment pattern in the corporate securities. Here the main factors under the study were the stock market, corporate announcements and investment patterns. The study reached the conclusion that most of the investors were well informed investors. They were aware of the stock market and the consequences of the share price behaviour. The findings of this thesis were that investors were not categorized as NRI and Resident Investors but the overall conclusion was that the investors gave importance to final result announcements and that they believed that positive

financial announcements would impact the market in a positive manner and vice-versa.

2.15 Mishra and Dash (2010)¹⁵ People living in the same society and having same income level are different in their investment behaviour. The research indicated about factors influencing the decisions in India used two factors age and gender. They admit that various factors affect the investor's behaviors. People with different ages and gender have varying persecutions. The risk level of people of different age differs as well as gender also contributes to the level risk tolerance in decision making investments.

2.16 Kaboor A (2010)¹⁶ examined the individual investors Financial Literacy of the investment options. The results of the study have brought out the investors attributes that determine investor financial literacy. The expanding and examining investor financial literacy would enable a researcher to understand the spread of financial literacy among investors of different cities. Inter-regional disparities in financial literacy could be discerned and methods could be suggested to attain equal distribution of financial literacy among investors. Further grievance redressal mechanism operating at different levels may be studied for its efficiency.

2.17 Sumanjeet Singh (2009)¹⁷ in his study on the Foreign Capital Flows into India, has concluded that the Government has a key role to play in the economic development of India. It is also seen that the net capital inflows to India have increased significantly in the post reform period. An estimate of a total of number 14 of Foreign Investments into India in 2007-8 stood at US\$59288 million (approx. 2.5 lakh crore) up by a whopping 162% over the previous year. It was seen that in October 2007 we witnessed the highest inflow - US \$11591 million (Rs 48682 crores). The study also mentioned that countries with sound macroeconomic policies and well-functioning institutions are in the best position to reap the benefits of Capital flows and minimize the risk.

2.18 Sandeep Shanbhag (2008)¹⁸ studies the interest rate and its influence on the NAV. If the interest fall it triggers NAV and vice-versa. He also stated that NRIs are eligible to invest in Mutual funds on repatriate basis with no special permission to be sought form the RBI. He has given a description of the different types of Mutual fund schemes and has pointed out the Tax benefit of each. The article was based mainly on highlighting and attracting in the Mutual Fund scheme.

2.19 Thushara George (2007)¹⁹ found that the Net capital flows to developing countries increased from \$ 123 billion in 1991 to \$ 295 billion in 2000. The trend continued and also from 2000 to 2005 and just by going through the analysis we can find out that the figures are fluctuating, however, overall a positive trend was observed. These studies showed the position of Net portfolio equity flows to developing countries and it had projected a highly fluctuating trend. Gross market 24 based flows surged and was more than three times higher when compared to gross bank lending to developing countries all together. Total Foreign investment represented a positive trend. TFI's CGR for 1984-85 to 1993-94 was 7.65 percent while from 1994-95 to 2005-2006 it was 23.2 percent.

2.20 Kanchana R (2005)²⁰ revealed that each and every individual saves a part of his income to meet his future needs. The percentage of income saved mainly depends on the income level, purpose of saving and objective of investments. In the same way, the choice of investment he adopts also depends on the return expected, percentage of income allotted for savings and the purpose of savings. This is due to the reason, that the salaried class people's main investment objective is safety and regular income. This is being the reason, 36.8% of salaried class people have chosen safety as their investment objective. Thus, the most preferable investment option of the salaried class people at Chennai is the Bank deposit since it is the investment avenue which provides safety to their investment with a regular return.

2.21 Jose Mendel (2004)²¹ concluded that the most important suggestion for enhancing NRI investment is the creation of an investment atmosphere. It is the opinion of all the NRIs, irrespective of the educational levels, the place/country of employment or the place of residence. This is followed by the need for developing infrastructure, according to all the NRIs belonging to different categories.

2.22 Anna, Andreas, George & Prasad (2004)²² The empirical factors that influence the individual investor behaviour have varying degree of effects on the investors of Greeks Stock Exchange. The variables accounting information, subjective/personal, neutral information, advocate recommendation and personal financial needs were subdivided into other 27 variables. This study indicated the factors that have significant influence and the factors that have least influence on the Greek Stock Exchange investors. The research result showed the accounting information has significant and personal financial needs have least influence in Greek.

Chapter 3
THEORETICAL FRAMEWORK

3.1 NON-RESIDENT INDIAN

Non-Resident Indian is abbreviated by NRI. The person of Indian Origin (PIO) who is residing outside India permanently is called as NRI. In another way, NRI is an Indian citizen migrated to another country. The reason for residing outside India can be education, employment, vocation and any other acceptable reasons defined under the laws. The Non- Resident Indians are act as transducer of financial resources to India, especially Kerala economy. NRIs originated from Kerala are popularly known as NRKs. NRKs are one of the strong pillars of Kerala Model Development.

“A person resident outside India who is either a citizen of India or a person of Indian origin” (*NRI definition- Foreign Exchange Management Act (FEMA), 1999*).

In terms of Regulation 2 of FEMA Notification No. 13 dated May 3, 200, Non-Resident Indian (NRI) means a person resident outside India who is a citizen of India. Person of Indian Origin (PIO) means a citizen of any country other than Bangladesh or Pakistan who had (a) at any time held Indian passport or (b) he or either of his parents or any of his grandparents was a citizen of India by virtue of the Constitution of India or the Citizenship Act, 1955 or (c) the person is a spouse of an Indian citizen or a person referred to in (a) or (b), (*RBI- master circular No.8/July 2013*).

Later RBI has extended the above definition by adding student’s migration also to the term NRI and accordingly students studying abroad also eligible for foreign investment, NRE, FCNR account etc.

3.1.1 HISTORIES OF NRKs – A snap shot

The history of migration of Keralites to foreign countries can be divided into three phases for convenience. First, we have the pre- Second World War era, when a large number of manual labourers started migrating to the neighbouring states and countries like Malaysia and Singapore. The favourable conditions prevailed in these countries attracted thousands of youths to settle there. Mass recruitment in

British Army during the Second World War also saw the youth of Kerala working in the hinterlands of India and beyond the borders including Burma and Singapore.

The second phase of migration was when India became independent country in 1947, unemployed youth were attracted to newly liberated from British colonies like Malaysia and Singapore and other south east Asian countries where manual labour force is scanty.

The third phase of migration happened during 1970's when the petrol dollar of gulf countries became a great attraction to the youth of Kerala who wanted live a better life. A major portion of the labour force of these west Asian countries is still from Kerala. The Housing and Employment survey undertaken by Economics and Statistics Department of Kerala (1980) was reported that by that time, 5.1 lakh persons from Kerala migrated outside the state for the purpose of employment and 2.1 lakh people out of this have crossed the border of the country. According to the PMC 2013 conducted by the same Department and KMS conducted by CDS, Trivandrum on behalf of Kerala state planning board unanimously revealed that number of NRIs in Kerala has been increased by more than ten times of the NRI's population in 1980.

3.1.2 NRIs – IMPACT ON KERALA

There is manifold and far-reaching impact in the Kerala socio-economic scenario owing to large scale migration to foreign countries. The most important positive aspect of migration is the substantial reduction in the unemployment rate in Kerala. The social tension in 1980s was about 40 percent of employable persons are unemployed. This problem has been solving at large extent as foreign migration rate progressing. Most of the remittances received in Kerala were invested in building new houses, building complexes etc. which demanded greater number of manual labourers as the educated youth of Kerala were reluctant to engage in such work. A notable consequence of migration was the introduction of Vocational and Skill developing courses in Kerala. In order to migrate for better job, lot of unemployed youth joined in these courses. Fire and safety, paramedical, computerized accounting, office automation, lift operation, refrigeration, catering

courses etc offered vast job opportunities for Kerala youth abroad. NRIs remittances make a substantial contribution to the annual income of most household in Kerala. The remittance of NRIs contributes about one third portion of net state domestic product (NSDP) of Kerala. Out of total per capita income of Kerala about 25 per cent share originated from foreign remittances. Foreign migration is not freed from negative impacts in Kerala. Lack of proper structural framework for handling remittances resulted in lot of socio-economic lacunas in Kerala. The remarkable point is unproductive and dead investment of NRIs fund. Construction of huge size homes, purchase of luxurious cars and similar items are considered are dead investments since it will not generate future earning or income. Concentration of economic power in some people, household disparity in socio economic status, less opportunities to accommodate returning NRIs is became evil impact of migration.

3.1.3 NON-RESIDENT INIAN UNDER INCOME TAX ACT

Income Tax Act has not directly defined NRI. Section 6 contains criteria of who is considered as Resident in India and provides that anyone who doesn't meet these criteria is Non-Resident. Liability to pay tax in India does not depend on the nationality or domicile of the tax payer but on his residential status. The status of a person as a resident or non-resident depends on his period of stay in India. The period of stay is counted in number of days for each financial year beginning from 1st April to 31st March.

3.2 DETERMINATION OF RESIDENTIAL STATUS

An individual may be resident in India or not ordinarily resident in India or non-resident in India. A person who is resident and ordinarily resident in one year may become non-resident in another year. The provisions for deciding the residential status of an assesses are as follows:

A. Resident and Ordinarily Resident

He is resident in India in any previous year if he satisfies any one conditions of Part I and both the conditions of Part II.

a) Basic condition or condition of Part I

- i) He is in India in the previous year, for a period or periods totalling in all 182 days or more; or
- ii) He has been in India for a period or periods totalling in all 60 days or more during the previous year and 365 days or more during the four years preceding the previous year.

In the following cases, the period of 60 days in clause ii) will be substituted by 182 days;

- i) An Indian citizen or a person of Indian origin who being outside India, comes to visit India in any previous year.
- ii) An Indian citizen going abroad on a job approved by Central Govt. or as a member of the crew of an Indian ship.
 - A person of Indian origin means he or his parents or either of his grandparents were born in India.
 - While calculating the number of days, both the days of arrival and departure are to be counted as present in India.
 - Stay in India need not be continuous.
 - The residential status has nothing to do with citizenship or place of birth.

b) Conditions of Part II

- i) He has been resident in India at least two out of ten previous years preceding the relevant previous year and
- ii) He has been in India for a period or periods totalling in all 730 days or more during the seven previous years immediately preceding the relevant previous year.

For resident one has to satisfy any one of the basic conditions only.

B. Resident but not ordinarily Resident (NOR)

An individual is said to be not ordinarily resident in India, when he satisfies any one of the basic conditions under Part I, but does not satisfy both the additional conditions of Part II.

C. Non-Resident

If an individual does not satisfy any of the basic conditions of part I he is said to be Non Resident. Satisfaction of additional conditions in Part II is irrelevant.

3.3 INVESTMENT

Investment refers to acquisition of some assets. It means the use of funds for productive purpose for securing some objectives like income, appreciation of capital gains, or for further production of goods and services with the objective of securing profits. The pace of economic development of a country depends on savings and investment because they are the basis of capital formation.

In generally speaking, investment can be considered as the application of money or kinds with the expectation of future benefits which is more than applied assets. The traditional expectation from investment is either to earn future income or to attain capital appreciation of assets. In the era of financial innovation, the purposes of investments are diversified. At present apart from earning future income and capital appreciation on assets, the platforms of investment are used to minimize and hedge risk, to ensure liquidity, to market making, to cover with life and property protection etc.

“Purchase of financial assets that produces a yield that is proportional to the risk assumes over some time.” (*Investment definition- F. Amling*)

Each and every individual save even though the saving is not very large. The house hold sector does the major savings in India and contributes to the bulk of total savings that flow into financial assets which may take any of the forms of currency, deposits with banks and companies, PF, insurance corporate shares and bonds etc.

In the view point of Economists, investment is treated as the utilization of resources for the purpose of increase income or output of production in future. So,

money deposited in to banks and financial institutions or amount spend for purchasing land, building and machineries by expecting generation of future earnings etc., are considered as the example of investment Although there is a general broad definition to the term investment, it carries slightly different meanings for different industrial sectors. But in financial terminology, the investment refers to the buying of a financial product or any valued item with the anticipation that positive returns will be received in the future.

The two important elements of an investment are time and risk. In certain risk-free investments like government bonds, only time element is important. In certain other investment types, say for example derivatives, the risk element if the dominant aspect. In yet other investments (like equity shares), both time and risk are important. But over a long time frame the risk gets neutralised and that works in favour of risk-return trade off of these investments.

3.3.1 SAVINGS vs INVESTMENT

Basis	Savings	Investments
Meaning	That part of income which is not used for consumption.	Process of investing funds in capital assets to generate return.
Purpose	To meet short term/ urgent requirements.	Long term returns and capital formation.
Risk	Low	High
Returns	Less	High
Liquidity	High	Low

Table No. 3.3.1 Savings vs Investment

3.4 TYPES OF INVESTMENTS

The investments are of two types on the basis on the nature of investments and on the basis of return and method of investments. **Based on the nature of investments, investments can be classified as:**

A. ECONOMIC INVESTMENTS

Acquisition of those goods that are used in future to create wealth is termed as economic investments. In economic investments, the net addition made to the nation's capital stock (goods and services) which is used in the production process is regarded as investment. These can be the equipment or machinery to support a production process and inventory.

B. FINANCIAL INVESTMENTS

Investments made in a monetary asset with the dual objectives of earnings return and capital appreciation over the years is called financial investments. Investments in shares, bonds, certificates of deposit and life insurance policies would fall under the category of financial investments.

C. PERSONAL INVESTMENTS

Investments made by an individual are called personal investments. Though individual investors are large in number, the investable resources, are comparatively smaller in comparison with institutional investors. They generally lack skill to carry out comprehensive evaluation and analysis of the investment environment before investing.

D. CORPORATE INVESTMENTS

Deployment of funds by the corporate in various projects is called corporate investments. For this decision, cost of capital is an important element. Once they know their cost of capital, they can deploy their funds in those projects the return of which is more than the cost of capital.

On the basis of return and method of investments, the avenues of investment can be grouped as;

A. FIXED INCOME INVESTMENTS

In case of fixed income investment, the principal amount and the terminal value are known with certainty. The borrower or issuer is obliged to make payments of a fixed amount on fixed schedule.

i. Debentures

Corporate debentures are an option available to the investors who prefer a fixed yield. Since debenture holders are the creditors of the company, they are not entitled to cast vote in the company's general meetings. But they can demand to convene a separate meeting in case the company makes a change in their existing rights.

ii. Bonds

Bonds are issued by both public and private sector undertakings and a coupon rate is attached to the bond. The coupon rate indicates the annual yield payable to the bond holder which cannot be changed during the tenure of the investment. Hence the investors are not affected by change in market interest rates.

iii. Government Bonds

The securities issued by the Central Government, State Government and Quasi Government agencies are known as Government securities or gilt-edged securities. These securities carry a minimum amount of default risk as it is guaranteed by the RBI on behalf of Central Government.

iv. Money Market Securities

Money Market Securities are essentially IOUs issued by Government, financial institutions, and large corporations. These instruments are very liquid and considered extraordinarily safe. These funds pool together the assets of thousands of investors in order to buy the money market securities on their behalf.

v. Bank Deposits

Savings deposits, Recurring deposits and Fixed deposits account of commercial banks carry fixed interest. Even though the savings account is more liquid and convenient to handle, the rate of savings deposit is lower. The rate of interest varies from bank to bank. However, on an average the rate of interest on SB deposit is 4%.

vi. Post Office Deposits

Post Offices offer many schemes to small investors which can be opened and operated through wide network of post office in rural areas. National Savings Certificate with 7.6% interest, Fiver Year Time Deposit with 7.4% interest, Kisan Vikas Patra with 7.7% interest and Sukanya Samriddhi Account Scheme with 8.1% interest are the popular schemes of Post Office.

vii. Insurance Schemes

In a broad sense, life insurance may be viewed as an investment. There are many insurance policies which can pay an assured return after a fixed period or during post retirement period. For example, LIC Pension plan- JeevanAkshay.

B. VARIABLE INCOME INVESTMENTS

The term variable income security refers to investments that offers volatile rate of return which is directly linked with the market forces. Though variable income securities can give higher return in comparison to fixed income investments, it is having greater risks because the yield and maturity value is not known with certainty.

i. Equity Shares

Equity shares are long term financing sources for any company. These shares are issued to the general public and are non- redeemable in nature. Investors in such shares hold the right to vote, share of profits and claim assets of a company. The holders of equity shares are not guaranteed a fixed dividend.

C. SECURITY AND NON-SECURITY INVESTMENTS

A Security Investment is freely transferable and saleable. It also includes the risk of loss in value. Security investments includes all money market instruments like Treasury Bills, Commercial Papers, Certificate of Deposit and capital market instruments like Equity Shares, Preference Shares and Debentures.

Under Non-Security Investments, the document issued as evidence of the investment cannot be transferred from one party to another party. The payment of these can be claimed only the original holder or in the event of death of the original holder, his legal successors can claim the payment. Non-Security Investments

includes Life Insurance, Bank Deposits, Post Office Deposits, Mutual Funds Schemes etc.

D. DIRECT AND INDIRECT INVESTMENTS

Under Direct Investing the investors buy and sell financial assets and manage individual investment portfolio themselves. Consequently, investors take all the risk and their successful investing depends on their understanding of financial markets, its fluctuations and on their abilities to analyse and to evaluate the investments and to manage their investment portfolio

If investors are buying or selling financial instruments through financial instruments it is known as Indirect Investments. E.g., Mutual Funds, Pension Funds, Provident Funds, Insurance etc. the individual investors have no control over the amount invested. The risk for investor using indirect investing depends on the credibility of chosen institutions and the professionalism of portfolio managers.

3.5 CHARACTERISTICS OF INVESTMENTS

A. ELEMENT OF SACRIFICE

Investment is essentially a sacrifice of financial resources for future benefits. For instance, assume that you intend to buy a new mobile phone costing Rs.10000. at the same time, you have a strong feeling that share of RIL can give you 10-12% return in the next three months. Now, you have two options: either to consume Rs. 10000 now, by buying a phone or to purchase shares of RIL. If you go with the second option, you have to defer your present need of purchasing a brand-new phone. But if you sacrifice, you can earn a desired return. So you are sacrificing the resource available with you for a future benefit.

B. ELEMENT OF TIME/ FUTURITY

Time is an important factor in investments. Every investment is made with the objective of holding it for a certain time period. But the time horizons of holding the investment differ among investors. Time periods depends on the attitude of the investor. As investments are examined over the time period, expected risk and return are measured. The investor usually selects a time period and return that meet

expectations of returns and risk. Expected returns are always higher for a long-term investment as compared to short term investments.

C. ELEMENT OF RISK

A person making an investment expects to get some return from the investment in the future. But, as future is uncertain, so is the future expected return. So, the actual return may vary from the expected return. This ambiguity associated with the returns is called risk in investment. Systematic and unsystematic risks are two components of total risk. Variability in security return caused by system-wide factors such as economic, political, and social change is referred as systematic risk. When variability of returns occurs because of firm-specific factors, it is known as unsystematic risk. This risk is unique or peculiar to a company or industry which consists of business and financial risk.

D. EXPECTATION OF GAINS

Since the investors sacrifice the current utility of money for a future use, the purchasing power of money will decrease. Similarly, there is a waiting time and the investor is taking a risk too. Hence the investor is to be compensated for the above three elements- time value of money, waiting time and risk taking. All these compensations put together become the basis of expecting gains from the invested money.

3.6 POINTS USUALLY CONSIDERED WHILE INVESTING

Individuals and Institutions with surplus cash are on the watch out for best investment opportunities. The avenue selected depends on the risk and the return associated with it. The maturity value of the investment is also crucial. Every investor is alert and takes steps leading them to the right investment destination.

The rules usually considered for this purpose are:

A. BEING AWARE OF ONE'S FINANCIAL POSITION

Investors sketch out a personal financial roadmap, keeping in mind their financial decision ensuring that they take the best decision in a volatile market. The investor tries to understand the goal and the risk associated. He does the needful to ensure

that he gains financial security over the years and enjoy the benefits of the investment.

B. UNDERSTAND THEIR COMFORT ZONE IN RISK TAKING

Every investor's financial need and financial stability is different. Individuals try to foresee their comfort zone to accommodate the risk. The investor understands that a basic element of risk accompanies every investment avenue and makes his investment decision, keeping this in mind. The reward for taking risk is a high return; hence the investors could go for investing in asset category without focusing exclusively on the cash equivalents.

C. CONSIDERATION OF AN APPROPRIATE PORTFOLIO

Asset categories move up and down under different market conditions and hence the investors could also move to a loss. In order to protect themselves from the chances of losing their money, it is necessary that a revision is made in the asset category which includes risk to meet the investment goal. While investing in more than one asset category, risk is reduced and returns would be better. Investors also target to invest keeping a particular investment goal, where a future date is targeted and asset allocation is maintained.

D. DIVERSIFICATION OF INVESTMENT

One of the best ways to reduce risk and mostly seen among the investors is diversify the investments. Its relevance is seen in the dictum —Don't put all your eggs in one basket. It is a principle every investor should practice to avoid, reduce risk and diversify the investments. If the company goes bankrupt, the investor will have to face the music—he might lose a lot of money. Choosing the right investment asset category can limit the investor's loss and minimize fluctuations in returns.

E. UPKEEP OF AN EMERGENCY FUND

Most investors are cautious while allocating their money on investments. To ensure this they can secure their cash in liquid products and utilize the same for immediate needs and emergency that arises.

F. PAYING OFF HIGH-INTEREST CREDIT CARD DEBT

The investors who owe money on a high-interest credit card, prefer to pay off the balance in full as quickly as possible. They feel that there is no other better alternative investment strategy that pays off well with less risk.

G. DOLLAR COST AVERAGING SHOULD BE CONSIDERED

Through this strategy, investors protect themselves from the risk of investing money over a long period of time. A consistent pattern could be observed, which is regular investments with the same amount of money each time would bring more investment when price is low and vice versa.

H. CONTEMPLATION OF RETIREMENT/ RETRENCHMENT BENEFIT

Most individual investors see the various retirement/ retrenchment benefits offered by their employers as a sure-shot source of savings available for investment.

I. OCCASIONAL RESTRUCTURE OF INVESTMENT PORTFOLIO

By ensuring rebalancing, the investors can assure themselves that their portfolio does not limit itself to or overemphasize on one or more asset categories. By understanding the importance of restructuring, we could bring our portfolio to a comfortable risk level. Rebalancing helps us to buy low and sell high. Rebalancing should be exercised on a relatively infrequent basis.

J. THEY AVOID CIRCUMSTANCES THAT LEAD TO FRAUD

It is seen that investors seek trusted friends and family members opinions before making an investment decision. They do not get carried away by highly publicized news which lures potential investors.

3.7 OBJECTIVES OF INVESTMENTS

People make investment for a variety of purpose and hence the objectives of investment differ from investor to investor. For instance, when pensioner makes investment, his primary motive is regular return where as a multi billionaire expects a reasonable appreciation in the value of investment after a definite period.

However, the general objective of every investor is to minimise the risk involves in investment and maximise the return from the investment.

The specific objectives of investments are;

A. YIELD

The elementary objective of every investment is earning regular income. This reward may be referred as yield. In case of shares, the yield is called dividend where as it is interest for debentures/ bonds. Yield is computed by dividing the actual interest/ dividend received with the cost of investment. It is often used as a parameter for evaluating the performance of a security.

B. CAPITAL APPRECIATION

Increase in value of asset is referred to as a capital appreciation. This gain can be realised only when the asset is sold for a price that is higher than the purchased price. Growth of capital is closely associated with the equity shares, real estate and precious metals like gold and silver. Generally, growth securities offer low yields. It is also to be noted that capital gains offer potential tax advantages by virtue of their lower tax rate.

C. SAFETY

The certainty of return of capital without loss of money or time is referred as safety in the context of investment. The investment should be capable of redemption as and when due and it should be free from default risk. Such safety is higher for T-Bills, bank and Post office deposits. The safer is the instrument the lesser will be the rate of return.

4. LIQUIDITY

The security which is high marketable without loss of money and time is said to possess liquidity. An instrument is marketable only if there are large number of buyers and sellers who are ready to deal in it every time. Hence T-Bill, shares of blue-chip companies and open-ended mutual funds etc are highly liquid. Some investments like company deposits, National Savings Certificates etc. are highly illiquid in the sense that they are redeemable only on dure date. Fixed deposits of

Commercial banks can be withdrawn pre-maturely and hence they are liquid to a certain extent since the maturity value is returned only after charging penal interest.

5. HEDGE AGAINST INFLATION

Inflation erodes the value of money; hence the investment provides a protection against inflation. The return from investment should be higher than the rate of inflation. For instance, if the rate of inflation is 8% and the rate of return from investment is only 7%, is called a negative return. Investing in equities which are represented in the Sensex or Nifty over a long period is one of the best ways to keep away from inflation. Because the average return of these indicated over a period of ten years are always higher than the rate of inflation. Investment in Inflation-Indexed bonds is another option to beat inflation.

6. TAX PLANNING

An investor can select certain tax saving schemes to reduce his tax liability. It aims to reduce one's tax liabilities and optimally utilize tax exemptions, tax rebates and benefits as much as possible. An assessee for a deduction up to Rs. 150000 from his gross total income as per the provisions of sections 80C under the Income Tax Act 1961.

3.8 INVESTMENTS AVENUES

The Various avenues for investment are seen to be ranging from high risk associated to less risk investment categories. It is also seen that the investment avenues consist of both security and non-security forms of investment. Securities are of different types depending on the rights conferred to the investors. The various avenues range from risk-less to high investment opportunities. They consist of security and non-security forms of investments.

3.8.1 SECURITY INVESTMENTS

A security is an instrument that is freely transferable and saleable. They include the risk of loss in value.

Security form of Investment (Marketable)
1. Equity Shares
2. Bonds and Debentures
3. Money Market Instruments
4. Mutual Fund Scheme

Table No. 3.8.2 Security Investment

3.8.2 NON-SECURITY INVESTMENTS

They are neither transferable nor traded in any organized financial market.

Non-Security form of Investment (Non-Marketable)
1. National Savings Scheme
2. National Saving Certificate
3. Recognized Provident Fund
4. Public Provident Fund
5. Post Office Saving Scheme
6. National Pension Scheme
7. Corporate Fixed Deposit
8. LIC
9. Unit Scheme of UTI
10. Bank Fixed Deposit
11. Recurring Deposit

Table No. 3.8.2 Non-Security Investment

3.9 FACTORS FAVOURABLE FOR INVESTMENT

The investment market should have a favourable investment to be able to function effectively. In India, where all business activities are marketed by social, economic and political considerations, it is important that the social political and economic institutions are favourable. The basis of consideration which faster growth and bring opportunities for investments are;

A. LEGAL SAFE GUARDS

A stable government which frames adequate legal safe guards encourages accumulation of savings and investments. Investors will be willing to invest their funds, if they have the dual advantage of free enterprise and government control. In India freedom efficiency and growth are ensured from the competitive forces of private enterprises. On the other hand, being a mixed economy government control exerts discipline and curtails some elements of freedom. A combination of the public sector controlled by the government and private sector left free to operate hopes to achieve the benefits of both socialistic and capitalistic forms of government without their disadvantage.

B. STABLE CURRENCY

Most of the investments such as bank deposits, life insurance and shares are payable in a fixed amount of currency of the country. As far as possible the monetary policy should neither promote inflationary pressure nor prepare for a deflation model. Neither condition is satisfactory. Price inflation destroys the purchasing power of investments. Deflation is equally disastrous because the normal value of inventories, plant and machinery and land and building tend to shrink. A reasonable-stable price level which is produced by wise monetary and fiscal management contributes towards proper control, good government, economic well-being and a well-disciplined growth-oriented investment, market and protection to the investors.

C. EXISTENCE OF FINANCIAL INSTITUTIONS TO ENCOURAGE SAVINGS

The financial institutions generally in existence in most countries which encourage savings and direct them to productive use are the commercial banks, life insurance companies and investment companies, investment bankers and mortgage bankers. In India, the presence of larger number of financial institutions under central government and state government and rural bodies have encouraged the growth of savings and investment such as IDBI, ICICI, IFCI, State Financial Corporation, NABARD etc. more institutions lend an element of strength to the capital market and promote discipline by encouraging the growth.

D. FORMS OF BUSINESS ORGANIZATIONS

The forms of business organization which are permanent in existence aid to savings and investments. The public limited companies have been said to be best form of organization. The three characteristics of corporation, which have been very careful for investors, are limited liabilities of shareholders perpetual life and transferability and divisibility of stock and shares. The public limited companies with the ability to continue its business irrespective of members comprising it gives longevity and soundness to its business activities.

3.10 INVESTMENT PROCESS

All investors would like to beat the markets by constructing an efficient investments portfolio. Many factors like timing of buying and selling of investments, defining and managing risk parameters, asset allocation, performance evaluation and more are important in investment process.

The investment process consists of series of activities leading to the purchase of securities or other investment alternatives are described below;

1. FRAMING INVESTMENT POLICY

An investor should clearly spell his/ her investment policy before making investment. The following aspects are to be considered while framing an investment policy.

i. Determination of investible funds

The entire investment procedure resolves around the availability of investible policy.

ii. Deciding the investment objectives

The motives that guide an investor in choosing a particular investment alternative is called investment objectives. Similarly, the investment objectives once set does not remain constant, but it should be adjusted according to change in personal and family circumstances of the investor.

iii. Identification of potential investment assets

Based on the both risk and return preference, the investor should identify the investible assets. For instance, if he wishes a regular return, debt securities may be selected. Money market instruments are advisable for investors who need short term liquidity whereas equity shares of blue-chip companies are better option for capital appreciation.

2.INVESTMENT ANALYSIS

Investment analysis involves the use of relevant tools and techniques to decide how to allocate funds in various investment vehicles. The investor should make a comparative analysis of the type of industry and kind of security. The economic and regulatory factors influencing the industry in which the investor is to be reviewed at this stage.

3. SECURITY ANALYSIS

At this phase, the risk return characteristics of individual securities are identified. The aim is to know whether it is worthwhile to acquire these securities for the portfolio. At this stage, the real worth of the security is to be assessed. Fundamental analysis can be used to check whether the security is over-priced or under-priced. Technical analysis helps in forecasting the future share price based on the past trends of prices.

4. CONSTRUCTION OF PORTFOLIO

This consists of identifying the specific securities in which investment is to be made and determining proportion of investment. An investment portfolio which provides the highest return of a given level of risk is to be constructed. The selection of a particular security should be based on micro level forecasts of expected cash flows from specific shares/debentures of different companies. Then he must decide the timing of investment for which he has to observe the forecasted price movements of securities at the macro level. Finally, he has to minimise his risk for a given expected level of average of his portfolio. The resultant portfolio is called a diversified portfolio.

5. PORTFOLIO EVALUATION

Assessing the performance of portfolio over a selected period of times in terms of risks and return is called portfolio evaluation. Risk tolerance and return preference of the investors as decided in the investment policy should be taken as a yardstick or norms for comparison.

6. PORTFOLIO REVISION

Economy and financial markets are dynamic and changes take place continuously. As time passes, securities which were once attractive may cease to be so. In view of such developments, it would be necessary for the investor to review the portfolio. He should sell off low yielding securities and buy high yielding new securities. The transaction costs incurred in the buy-sell activities relating to the new portfolio is an important consideration in the revision of the given portfolio. The investors should strike a balance between the costs of moving to the new portfolio and the benefit of the revision. Portfolio evaluation and revision are continuous process.

3.11 INVESTMENT BEHAVIOUR

Investment behaviours are defined as how the investors judge, predict, analyse and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is “Investment Behaviour” (Slovic, 1972; Alfredo and Vicente, 2010).

Investment behaviour concept considers investment as a rational and logical decision-making process in which the investors trying to choose a portfolio of securities or and assets. If investor is rational, he will be able to form a rational and correct expectation about investible assets, future return, value appreciation and probable risk pattern. They obtain relevant and adequate information relating to investment options and its determinants in order to take efficient investment decision. Some people make investment decision on inadequate and incorrect information and such investment may move into wrong shoes.

Behaviour of investors are influenced by the complexity, structure, transparency and perceived performance of various investment alternatives. The important factors influencing investment behaviour are;

- Type and nature of asset or securities
- Basis of acquisition
- Length of commitment
- Sources and frequency of income
- Quantity of risk associated
- Stability and regularity of return
- Psychological attitude and perceptions
- Education and experience
- Personality traits of investors like risk aversion, risk propensity rate, extroversion and introversion, locus of control etc.,
- Investment regulation by govt. and its agencies
- Reason or objectives of investment etc

Investment behaviour and attitude are likely to be affected by innovative practices and instruments in the investment environment. A wide variety of opportunities for the consumption and investment are available to those who have disposable income and savings. Investment venues are ample and they are growing in number and variety. The financial innovation and engineering brought us a lot of innovative and attractive investment options for catering the need of different type of individual and institutional investors. Now the investors are enjoying flexibility and freedom of investment as a result of financial globalization and liberalization.

Chapter 4

DATA ANALYSIS AND INTERPRETATION

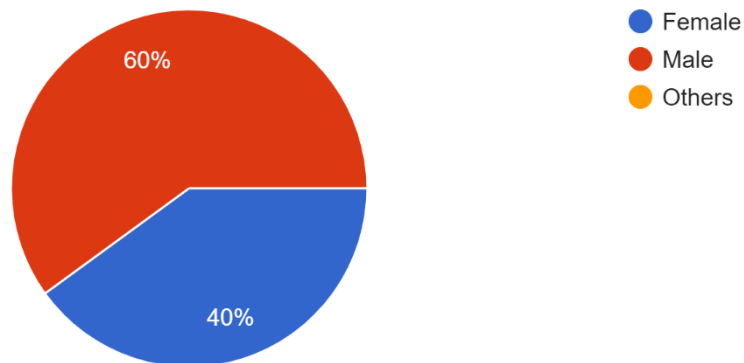
4.1 GENDER CLASSIFICATION

Table No. 4.1 Table showing Gender Classification of respondents

GENDER	NO. OF RESPONDENTS	% OF RESPONDENTS
Male	60	60
Female	40	40
Others	-	-
TOTAL	100	100

Source: Primary Data

Figure 4.1 Gender Classification



Inference: The table shows the gender of the respondents, out of 100 respondents 60% of respondents was male and 40% of respondents was female.

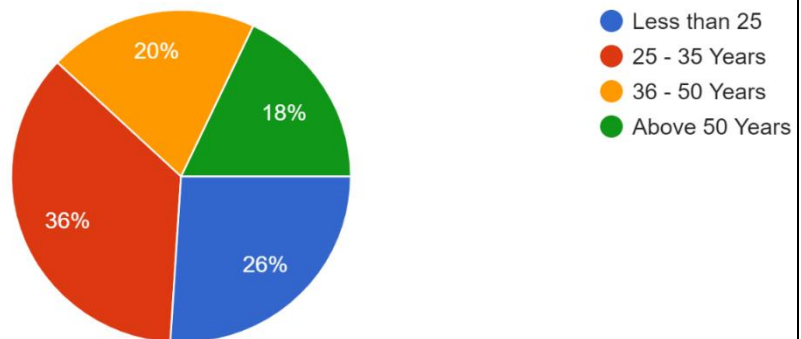
4.2 AGE

Table No. 4.2 Table showing Age of the respondents

AGE	NO. OF RESPONDENTS	% OF RESPONDENTS
Less than 25	26	26
25 – 35 Years	36	36
36 – 50 Years	20	20
Above 50 Years	18	18
TOTAL	100	100

Source: Primary Data

Figure 4.2 Age



Inference: Out of 100 respondents, the highest being 36% were of the age group of 25–35 years, followed by 26% of the age group of less than 25 years and 20% of the age group of 36- 50 years. The least contributions from the age group of above 50 years with 18%.

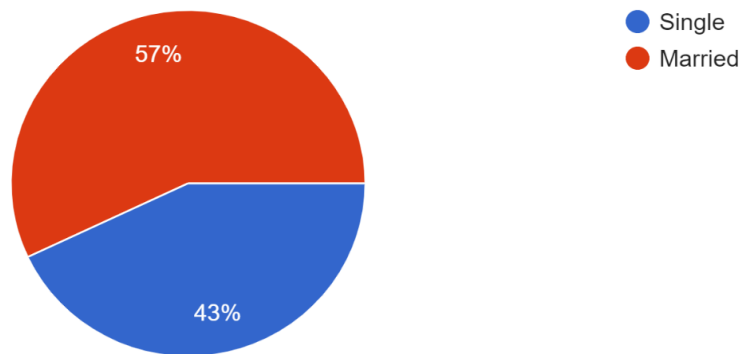
4.3 MARITAL STATUS

Table No. 4.3 Table showing Marital Status of respondents

MARITAL STATUS	NO. OF RESPONDENTS	% OF RESPONDENTS
Single	43	43
Married	57	57
TOTAL	100	100

Source: Primary Data

Figure 4.3 Marital Status



Inference: It is clear from the above table that out of 100 NRIs respondents, 57% of respondents are married and 43% of the respondents are as unmarried or single.

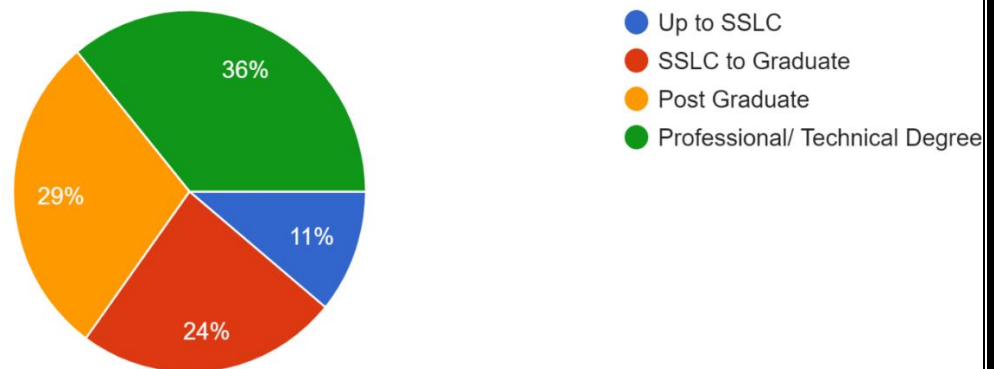
4.4 EDUCATIONAL QUALIFICATION

Table No. 4.4 Table showing Educational Qualification of respondents

EDUCATIONAL QUALIFICATION	NO. OF RESPONDENTS	% OF RESPONDENTS
Up to SSLC	11	11
SSLC to Graduate	24	24
Post Graduate	29	29
Professional/ Technical Degree	36	36
TOTAL	100	100

Source: Primary Data

Figure 4.4 Educational Qualification



Inference: The above table depicts that out of 100 respondents, dominant group is professional/ technical degree, i.e., 36%. 29% and 24% of selected respondents have higher qualifications i.e., post graduate and graduate. Respondents whose educational qualification is up to SSLC were only 11%.

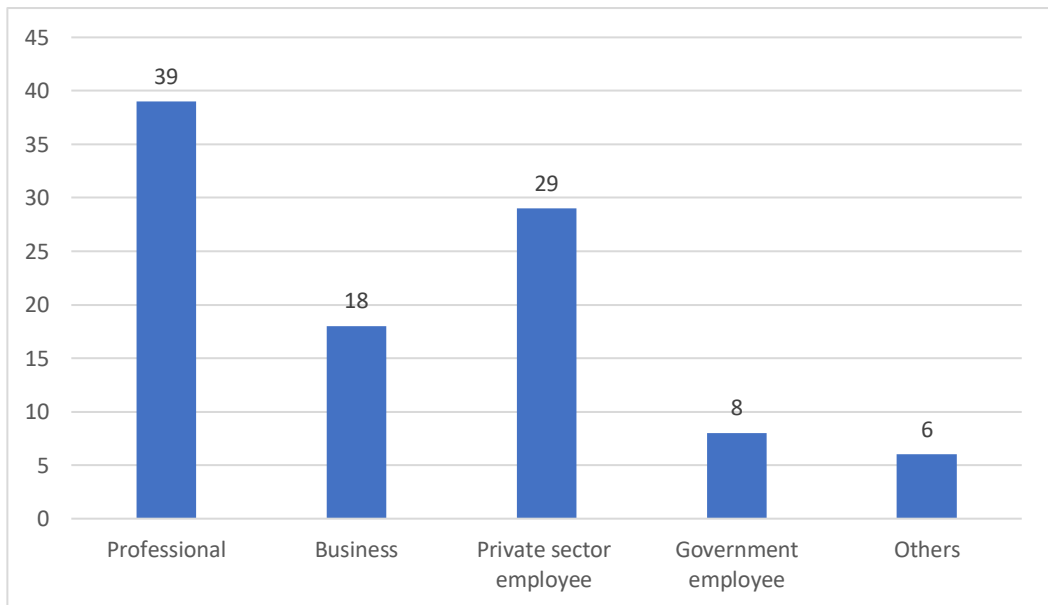
4.5 OCCUPATION

Table No. 4.5 Table showing Occupation of respondents

OCCUPATION	NO. OF RESPONDENTS	% OF RESPONDENTS
Professional	39	39
Business	18	18
Private sector employee	29	29
Government employee	8	8
Others	6	6
TOTAL	100	100

Source: Primary Data

Figure 4.5 Occupation



Inference: Out of 100 respondents, 39% of respondents were professionals, 29% were private sector employees, 18% were doing business, 8% were government employees and others 6% includes students and health cares.

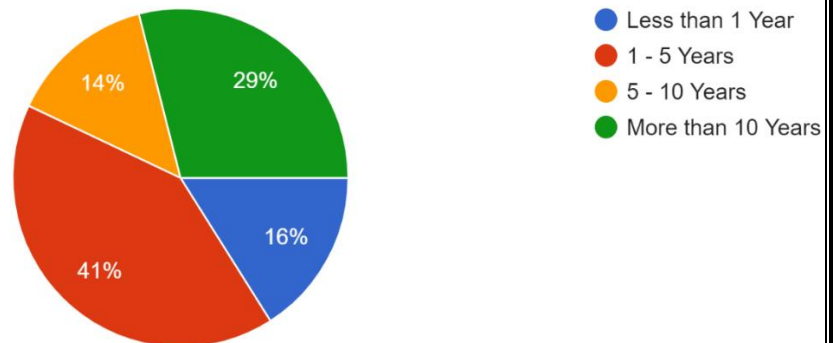
4.6 DURATION OF NRI's STAY IN ABROAD

Table No. 4.6 Table showing duration of respondents stay in abroad

DURATION OF STAY IN ABROAD	NO. OF RESPONDENTS	% OF RESPONDENTS
Less than 1 Year	16	16
1 – 5 Years	41	41
5 – 10 Years	14	14
More than 10 Years	29	29
TOTAL	100	100

Source: Primary Data

Figure 4.6 Duration of respondents stay in abroad



Inference: The above table shows that among total respondents, 41% of NRIs has been staying abroad for a period of 1 – 5 Years, 29% of NRIs staying abroad for more than 10 Years, 16% of NRIs staying abroad for less than 1 Year and 14% of NRIs staying abroad for 5 – 10 Years.

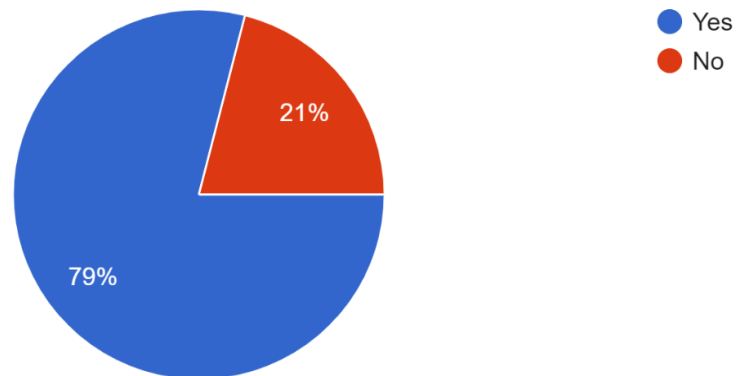
4.7 INVESTMENT IN INDIA

Table No. 4.7 Table showing respondents Investment in India

INVESTMENT IN INDIA	NO. OF RESPONDENTS	% OF RESPONDENTS
Yes	79	79
No	21	21
TOTAL	100	100

Source: Primary Data

Figure 4.7 Investment in India



Inference: The table shows the investment in India of the respondents, out of 100 respondents 79% of respondents have invested their money in India and 21% of respondents have not invested in India.

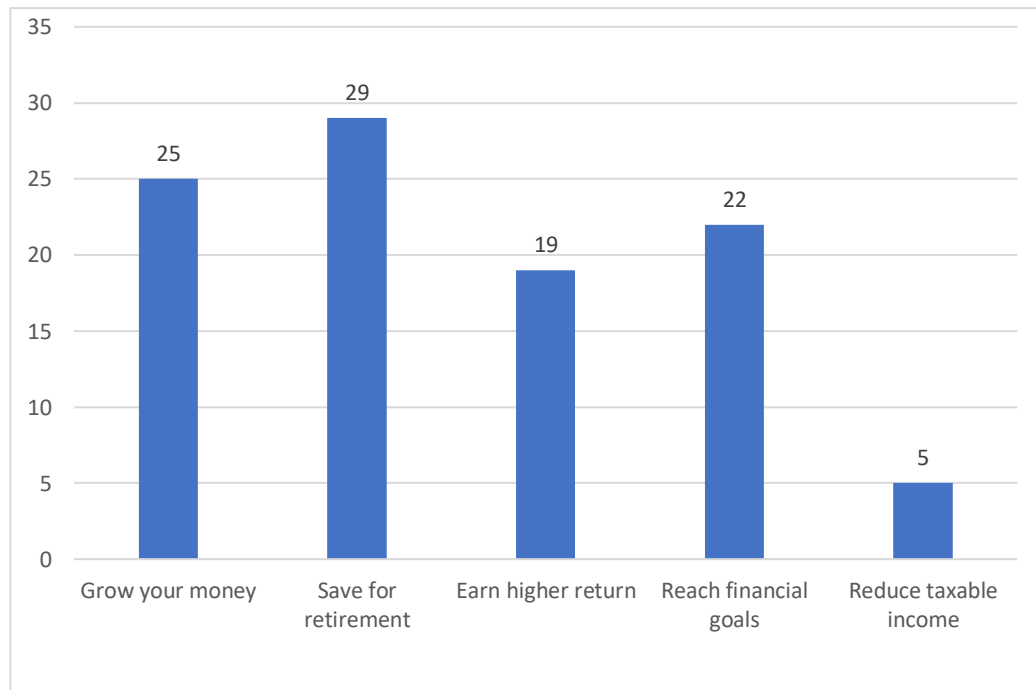
4.8 INVESTMENT MOTIVES

Table No. 4.8 Table showing Investment Motives of respondents

INVESTMENT MOTIVES	NO. OF RESPONDENTS	% OF RESPONDENTS
Grow your money	25	25
Save for retirement	29	29
Earn higher return	19	19
Reach financial goals	22	22
Reduce taxable income	5	5
TOTAL	100	100

Source: Primary Data

Figure 4.8 Investment Motives



Inference: It is clear from the above table that, out of 100 respondents 29% of the respondents invest with the motive of save for retirement, 25% of respondents invest with the motive of inversing money, 22% invest with the motive to reach financial goals and 19% invest to earn higher return, only 5% invest with the motive of reduce taxable income.

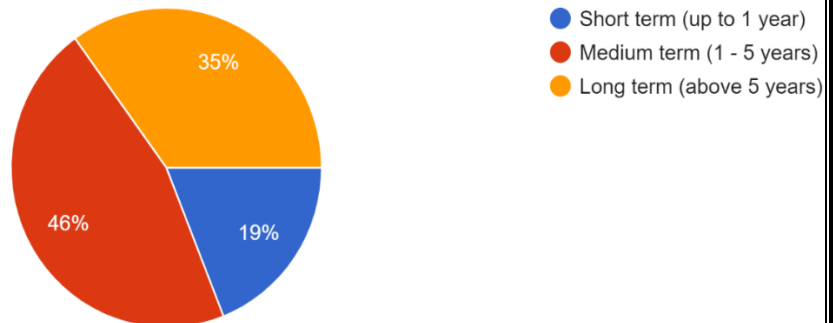
4.9 TENOR OF INVESTMENT

Table No. 4.9 Table showing Tenor of Investments of respondents

TENOR	NO. OF RESPONDENTS	% OF RESPONDENTS
Short Term (up to 1 year)	19	19
Medium Term (1-5 years)	46	46
Long Term (above 5 years)	35	35
TOTAL	100	100

Source: Primary Data

Figure 4.9 Tenor of Investment



Inference: The table depicts the tenor of investment the investor prefer. 46% of investors prefer medium term investment. 35% of investors prefer long term investment and only 19% of investors prefer small term investment.

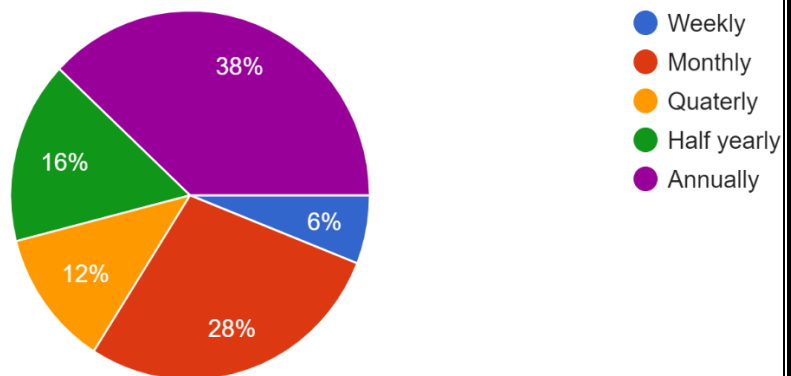
4.10 FREQUENCY OF INVESTMENT

Table No. 4.10 Table showing Frequency of Investments of respondents

FREQUENCY OF INVESTMENT	NO. OF RESPONDENTS	% OF RESPONDENTS
Weekly	6	6
Monthly	28	28
Quarterly	12	12
Half yearly	16	16
Annually	38	38
TOTAL	100	100

Source: Primary Data

Figure 4.10 Frequency of Investment



Inference: The table depicts the frequency of investment made by the investors. 38% of the respondents invest annually, 28% of the investors invest by monthly basis, 16% of the investors invest on the basis of half yearly, only 12% and 6% of the investors invest quarterly and weekly basis.

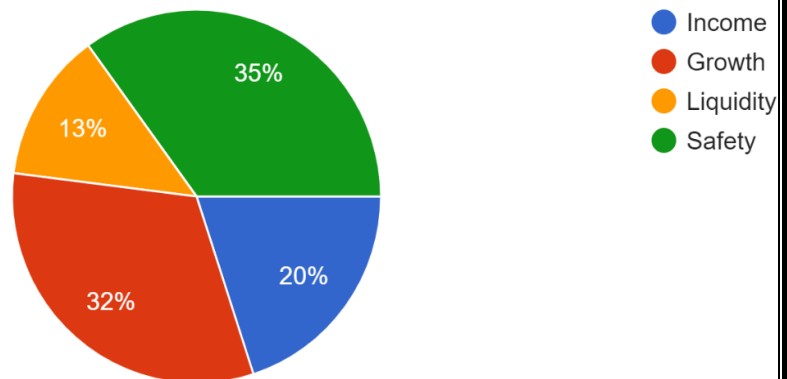
4.11 INVESTMENT CRITERIA

Table No. 4.11 Table showing Investment criteria of respondents

INVESTMENT CRITERIA	NO. OF RESPONDENTS	% OF RESPONDENTS
Income	20	20
Growth	32	32
Liquidity	13	13
Safety	35	35
TOTAL	100	100

Source: Primary Data

Figure 4.13 Investment criteria



Inference: Out of total respondents, 35% of the respondents consider the factor of safety on their principal amount while investing, 32% consider growth factor, 20% given priority for income and only 13 consider liquidity.

4.12 FACRORS AFFECTING/INFLUENCING INVESTMENT DECISIONS

Table No. 4.12 Table showing factors affecting/ influencing investment decisions of respondents

SCALINGS	NO. OF RESPONDENTS						
	F1	F2	F3	F4	F5	F6	F7
Highly significance influence	60	21	37	22	56	26	17
Significance influence	29	54	41	40	34	34	36
Moderate influence	5	19	19	19	7	24	23
Little influence	3	5	2	15	2	9	18
No influence	3	1	1	4	1	7	6
TOTAL	100	100	100	100	100	100	100

Source: Primary Data

Inference: F1-Income available for investment, 60% of respondents have highly significant influence, 29% have significant influence and only 3% of respondents have both little and no influence.

F2- Convenient terms and conditions of investment have significant influence by 54% of respondents and only 1% have no influence.

F3-Security provided by the investment, 41% have significant influence and 37% and 19% have highly significant influence and moderate influence.

F4-Influence of exchange rates has significantly influenced by 40% of respondents and only 4% have no influence.

F5- Returns available for investment, 65% of respondents have highly significance influence and only 2% and 1% have little and no influence.

F6- Tax benefits available, 34% of respondents have significant influence and 7% have no influence.

F7- Government policies, 36% of respondents have significant influence and 6% have no influence.

Income and returns available for investment are the factors have highly significant influence, tax benefits available and government policies have moderate influence.

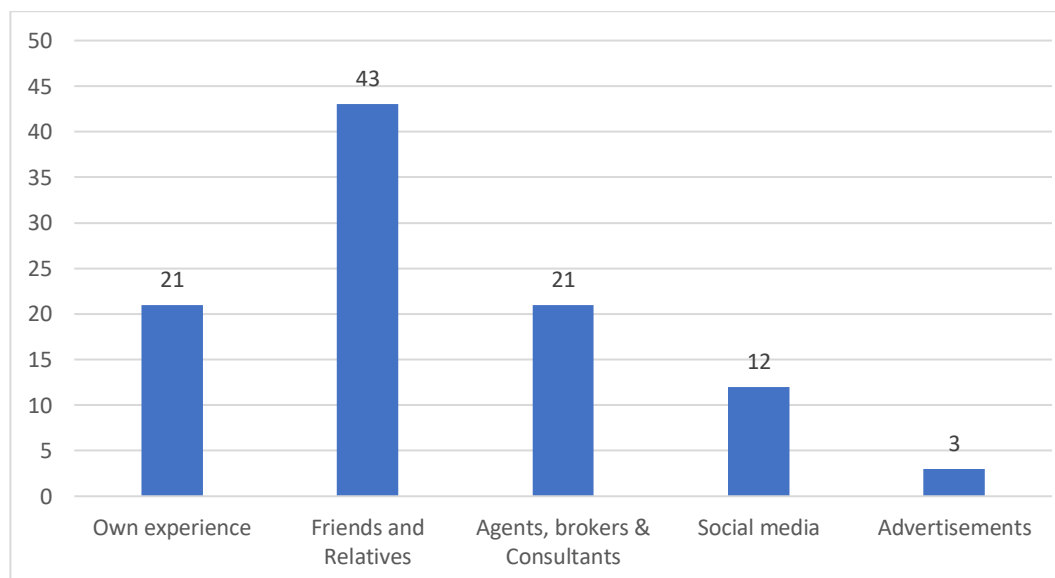
4.13 SOURCES OF INVESTMENT INFORMATION

Table No. 4.13 Table showing Sources of Investment Information by respondents

SOURCES	NO. OF RESPONDENTS	% OF RESPONDENTS
Own experience	21	21
Friends and Relatives	43	43
Agents, brokers & Consultants	21	21
Social media	12	12
Advertisements	3	3
TOTAL	100	100

Source: Primary Data

Figure 4.13 Source of Investment Information



Inference: The table depicts the source of investment information. 43% of investors come to know about the investment from friends and relatives, 21% of investors from both agents, brokers, consultants and own experience. Only 12% and 3% from social media and advertisements.

4.14 INVESTMENT PORTFOLIOS OF RESPONDENTS

Table No. 4.14 Table showing Investment Portfolios of Respondents

INVESTMENT PORTFOLIO	NO. OF RESPONDENTS	% OF RESPONDENTS
Fixed deposits(NRE,NRO,RCNR..)	24	24
Gold	15	15
Real Estate (Land & Building etc.)	13	13
Mutual Funds	10	10
Insurance Policies	9	9
Business	9	9
Shares	6	6
Post Office Savings	5	5
Bonds	4	4
Direct Equities	3	3
National Pension Scheme	2	2
Public Provident Fund	0	0
TOTAL	100	100

Source: Primary Data

Inference: Out of 100 respondents 24% of the respondents invest their money in fixed deposits, 15% invested in gold, 13% invested in real estate, only 2% invested in National Pension Scheme and 0% of the respondents have invested in Public Provident Scheme.

4.15 GENERAL WELFARE STATEMENTS

Table No. 4.15 Table showing General Welfare Statements of respondents

SCALINGS	NO. OF RESPONDENTS					
	GW1	GW2	GW3	GW4	GW5	GW6
Strongly Agree	56	42	27	35	38	21
Agree	34	45	47	38	44	26
Indifferent	8	8	21	17	13	30
Disagree	-	5	3	9	4	17
Strongly Disagree	2	-	2	1	1	6
TOTAL	100	100	100	100	100	100

Source: Primary Data

Inference: Out of 100 respondents,

GW1- Migration has improved my standard of living has strongly agreed by 56% and agreed by 34% of respondents and only 2% has strongly disagreed the statement.

GW2- Earns regular rate of income to cover my living expense, 45% and 42% of respondents agreed and strongly agreed the statement and only 5% of respondents disagreed the statement

GW3- Have sufficient income to make investment, 47% of respondents agreed the statement and 27% and 21% have strongly agreed and indifferent about the statement.

GW4- More opportunities for training and development have agreed and strongly agreed by 38% and 35% only 1 % strongly disagreed the statement.

GW5- Highly satisfied with my job, 44% has strongly agreed the statement and 13% have moderate opinion about the statement only 1% have strongly disagreed the statement.

GW6- No chances of losing my job due to inflation- 30% have indifferent opinion about the statement and 21% strongly agreed the statement and only 6% strongly disagreed the statement.

All most majority of the respondents were strongly agreed that migration has improved their standard of living, respondents agreed to the statement that have sufficient income to make investment and respondents are indifferent about losing job due to inflation.

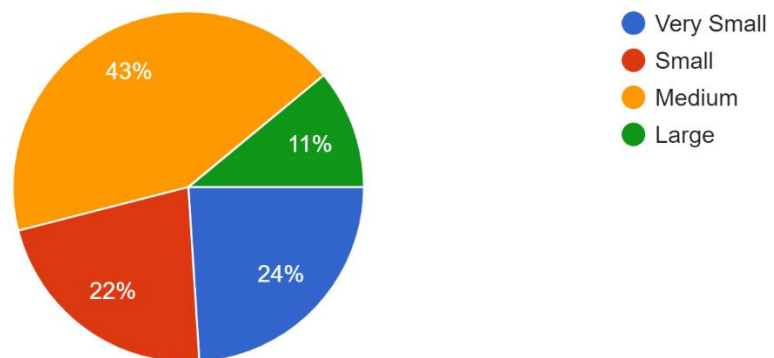
4.16 LEVEL OF RISK RESPONDENTS ARE WILLING TO TAKE

Table No. 4.16 Table showing level of risk respondents are willing to take while investing

LEVEL OF RISK	NO. OF RESPONDENTS	% OF RESPONDENTS
Very small	24	24
Small	22	22
Medium	43	43
Large	11	11
TOTAL	100	100

Source: Primary Data

Figure 4.16 Level of Risk respondents are willing to take



Inference: According to the distribution out of 100 respondents, 43% were willing to take medium risk investments, 24% were ready to choose only very small risk investments. While 22% of total respondents prefers small risk and only 11% were ready to accept large risk.

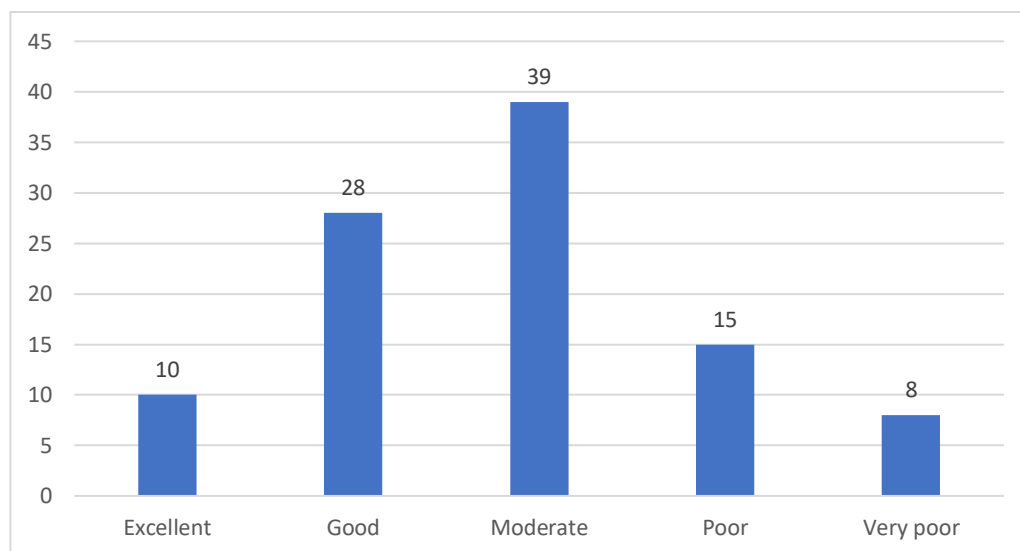
4.17 LEVEL OF INVESTMENT KNOWLEDGE

Table No. 4.17 Table showing Level of Investment Knowledge of respondents

INVESTMENT KNOWLEDGE	NO. OF RESPONDENTS	% OF RESPONDENTS
Excellent	10	10
Good	28	28
Moderate	39	39
Poor	15	15
Very poor	8	8
TOTAL	100	100

Source: Primary Data

Figure 4.17 Level Investment Knowledge



Inference: Out of 100 respondents, 10% of the respondents have excellent knowledge in investment, 28% have good knowledge and the maximum respondents i.e., 39% have moderate knowledge in investment and only 15% and 8% have only limited knowledge.

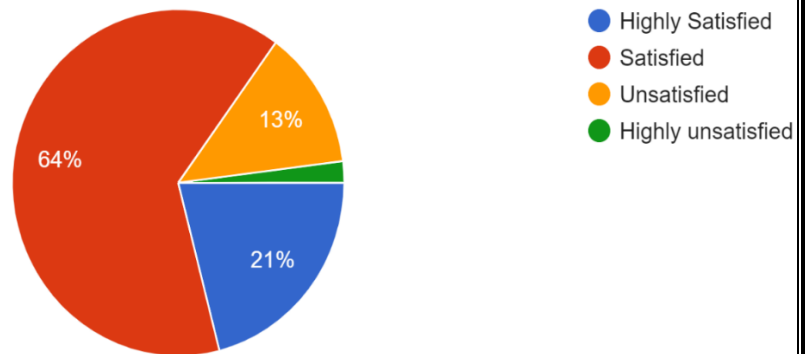
4.18 LEVEL OF SATISFACTION

Table No. 4.18 Table showing Level of Satisfaction of respondents on their investments

LEVEL OF SATISFACTION	NO. OF RESPONDENTS	% OF RESPONDENTS
Highly satisfied	21	21
Satisfied	64	64
Unsatisfied	13	13
Highly unsatisfied	2	2
TOTAL	100	100

Source: Primary Data

Figure 4.18 Level of Satisfaction



Inference: The distribution of respondents shows that out of total only 21% of respondents were highly satisfied with their current investment. The maximum i.e., 64% were satisfied with their investment performance and only 13% and 2% were unsatisfied and highly unsatisfied with their investments.

TESTING OF HYPOTHESIS OF THE STUDY

TEST 1

H₀: There is significant difference in investment criteria between men and women NRI investors.

Table No. 4.19 Significant difference in Investment criteria between men and women NRI investors

GENDER	INVESTMENT CRITERIA				TOTAL
	INCOME	GROWTH	LIQUIDITY	SAFETY	
Male	11	7	10	22	60
Female	9	15	3	13	40
TOTAL	20	32	13	35	100

Source: Primary Data

Test result using Chi-Square Test

χ^2 Tests			
	Value	df	p-value
χ^2	2.51	3	0.474
N	100		

Inference: Since the p value is greater than 0.05, we reject the null hypothesis and accept the alternative hypothesis as there is no significant difference in investment criteria between men and women NRI investors.

TEST 2

H0: There is significant association between the demographic factors and the factors affecting investment decisions.

Table No. 4.20 Significant association between demographic factors and factors affecting investment decision.

Independent Samples T-Test			
		Statistic	p-value
F1	Mann-Whitney U	1127	0.556
F2	Mann-Whitney U	1196	0.975
F3	Mann-Whitney U	1194	0.967
F4	Mann-Whitney U	1106	0.489
F5	Mann-Whitney U	1139	0.628
F6	Mann-Whitney U	1139	0.659
F7	Mann-Whitney U	1016	0.180

Inference: The p value of all factors is greater than 0.05, there is no significant association between the demographic factors and the factors affecting investment decisions. Thus, we reject null hypothesis

TEST 3

H0: There is significant difference in NRIs preference in various investment avenues.

Table No. 4.21 Significant difference in NRIs preference in various investment avenues

Friedman		
χ^2	df	p-value
52.0	10	<.001

Inference: There is significant difference is NRIs preference in various investment avenues as the p value is less than 0.05, Thus, we accept null hypothesis.

TEST 4

H0: There is significant difference in source of investment opportunities of NRIs according to their investment motives.

Table No. 4.22 Significant difference in source of investment opportunities according to investment motives

INVESTMENT MOTIVES	SOURCE OF INVESTMENT OPPORTUNITIES					TOTAL
	S1	S2	S3	S4	S5	
Grow your money	6	10	5	4	0	25
Save for retirement	6	8	3	2	0	29
Earn higher return	3	18	7	0	1	19
Reach financial goals	5	7	5	5	0	22
Reduce taxable income	1	0	1	1	2	5
TOTAL	21	43	21	12	3	100

Source: Primary Data

Test result using Chi-Square Test

χ^2 Tests			
	Value	df	p-value
χ^2	40.6	16	< .001
N	100		

Inference: There is significant difference in source of investment opportunities of NRIs according to their investment motives as the p value is less than 0.05. Thus, we accept the null hypothesis.

Chapter 5

FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 FINDINGS

The major findings of the study are:

- According to the collected data from 100 respondents 60% of the respondents were male and 40% of the respondents were female.
- The largest numbers of respondents fall in the age group of 25-35 years followed by respondents belonging to the age group of less than 25. Smallest number of respondents fall in the age group above 50 years.
- In this study 57% of the respondents are married and 43% of the respondents are unmarried or single.
- Majority of the respondents of the study have completed professional/technical degree followed by post graduates. Respondents whose educational qualification is up to SSLC were only small percentage of total respondents.
- This study comprises of respondents who are mainly been NRIs for 1 – 5 years. But it is inclusive of those who have been NRIs for less than 1 years and those who have been NRIs for over 10 years.
- From this study out of total respondent majority of the respondents have investment their money in India with the investment motive of save for retirement and to reach financial goals.
- Majority of the respondents has preferred to invest in medium term investment with medium risk and they preferred to make investment annually.
- The majority of the respondents are influenced in investment decisions by family members and followed by personal instinct. With regard to the criteria of investment most of the respondents preferred safety.
- The factors that have high influence on investment decision making is income available for investment, ranked first among the other factors. The test proved that there is no significant association between demographic factors and factors affecting investing decisions.

- The dominant source of investment information is from friends and relatives. Save for retirement is considered as the major investment motives. The test proved that there is significant difference in source of investment opportunities of NRIs according to their investment motives.
- The Friedman test indicates that there is significant difference in NRIs preference in various investment avenues. Bank deposits, gold, real estate are the preferred investment options.
- By testing gender of the NRIs with the investment criteria there is no significant difference in investment criteria with gender of the respondents.
- The most excellent statement affecting the NRIs with regard to the General welfare statements is “migration has improved the standard of living.”
- 39% of the respondents have moderate level of knowledge in investment similarly, majority of the respondents are satisfied with their investment.

5.2 SUGGESTIONS

- We know that most of the NRIs are well educated but have less investment knowledge and experience. So, in order to inculcate investment habits in youngsters as early, schools and colleges should set up ED club.
- Investors are expected to diversify their investment rather concentrating on one opinion or the two which are known to them. Other avenues can also be tried with proper understanding of the avenues or with the help of professional experts.
- To enhance the saving habits, the savings schemes must attract people by providing many offers and attractive schemes.
- Increase the efforts of the financial institutions to influence the customers to view the investments as a complete security and family protection rather than a tax saving instrument.
- It is suggested that instead of locking funds for longer periods in FCNR, Non-Resident Account holders can be encouraged for short term period, so that to get the benefits of changes in the interest rates further avoiding loss incurred in before maturity period.
- It is suggested that investors should adopt a diversified and liquidity-oriented approach while constructing and managing the portfolio for investment under present economic scenario.
- The investing public as a whole cultivates the habit of reading and watching information relating to investment. General awareness about the investment avenues is not sufficient to them, they should try to understand the pros and cons of all investment avenues in particular, this helps them to earn maximum returns on their investments with minimum risk.
- It is suggested that the Central and State Government can increase spread saving and investment habits among the public by making safety mechanism.
- NRIs are abroad, they are not fully aware about the corporate scenario of Indian economy. So, the bankers can take initiative and come forward and advise them.

5.3 CONCLUSIONS

The study is carried out on the topic “An Analytical study on Investment Behaviour of NRIs with a reference to Ernakulam District”. Adhering to the technique of convenience random sampling 100 respondents were selected from Ernakulam District. Ernakulam is the biggest commercial centre in the state of Kerala. Investment refers to the allocation of money in the expectation of some benefit in the future. The Non-Resident Indians who have invested in Kerala have done so with the expectations of making large returns on them. As per data has been collected, we noticed lot of investment behaviour and investment pattern of NRIs Ernakulam. Majority of respondents were male, relatively educated and professional workers.

This research studies demographic factors, investment criteria, factors affecting investment behaviours, source of investment information, investment motives etc. of NRI investors. It is seen that the most significant influence on the investment decision making is the income available for investment. The study concludes that there is no significant difference in investment criteria between men and women NRI investors, there is no significant association between the demographic factors and the factors affecting investment decisions of NRIs, there is significant difference in NRIs preference in various investment avenues and here is significant difference in source of investment opportunities of NRIs according to their investment motives

In the present world so critical that the cost-of-living index has increased very high. In such a situation investment habit play a vital role in the life of NRIs as well as others. Investment habit improves the economic and moral standard of every person. The investment habit among NRIs may lead to know about the financial opportunities, choices etc.so the investment play a vital role in the habit of NRI investors. The analysis also reveals that the preferred investment option for NRI's in Kerala is investing in the fixed deposits.

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ANNEXTURE

AN ANALYTICAL STUDY ON INVESTMENT BEHAVIOUR OF NRIs WITH REFERENCE TO ERNAKULAM DISTRICT

Dear Respondent,

My name is Thara Krishna K.R, currently I am pursuing M.Com at St. Teresa's College(Autonomous)Ernakulam. As a part of my final year dissertation, I am conducting "an analytical study on investment behaviour of NRIs with reference to Ernakulam district." Kindly spare few moments to fill this form. The information provided by you will be kept confidential and will be used for academic purpose only.

QUESTIONNAIRE

1. Gender

- Female
- Male
- Others

2. Age

- Less than 25 Years
- 25-35 Years
- 36-50 Years
- Above 50 Years

3. Marital Status

- Single
- Married

4. Educational Qualification

- Up to SSLC
- SSLC to Graduate
- Post Graduate
- Professional / Technical Degree

5. Nature of work undertaken:

- Professional
- Business
- Private sector employees
- Government employees
- Others

6. How long have you been an NRI?

- Less than 1 Year
- 1-5 Years
- 5-10 Years
- More than 10 Years

7. How far do you agree with the following?

SA- Strongly Agree; **A-** Agree; **I-** Indifferent; **D-** Disagree; **SD-** Strongly Disagree

Sl. no:	Statements	SA	A	I	D	SD
1.	Migration has improved my standard of living					
2.	Earns regular rate of income to cover my living expense					
3.	Have sufficient income to make investment					
4.	More opportunities for training & development					
5.	Highly satisfied with my job					
6.	No chances of losing my job due to inflation					

8. Do you have any investments in India?

- Yes
- No

9. Where have you been investing your money? Please put (√) tick mark.

- Fixed deposits (NRE, NRO, RCNR etc.)
- Mutual Funds
- Direct Equities
- Real Estate (Land & Building etc)

- Bonds
- National Pension Scheme
- Public Provident funds
- Insurance Policies
- Post Office savings
- Shares
- Gold
- Business

10. Who influence you in investment decisions?

- Social media
- Expert Opinion
- Family Members
- Friends and Relatives
- Personal Instinct

11. What are the factors to which you give priority when you invest?

- Income
- Growth
- Liquidity
- Safety
- Others (specify)

12. What type of investment you prefer?

- Short term (up to 1 year)
- Medium term (1 to 5 years)
- Long term (more than 5 year)

13. How frequently do you invest?

- Weekly
- Monthly
- Quarterly
- Half yearly
- Annually

14. What degree of risk you are willing to take while making your financial decisions?

- Very small
- Small
- Medium
- Large

15. Which of the following factors effects or influence your investment decisions? Please give the response for the following statements from Highly significant influence to no influence

Sl No	Statements	HSI	SI	MI	LI	NI
1.	Income available for investment					
2.	Convenient terms and conditions of investment					
3.	Security provided by the investment avenue					
4.	Influence of exchange rates					
5.	Returns available for investment					
6.	Tax benefit available					
7.	Government policies					

16. What are your investment motives?

- Grow your money
- Save for retirement
- Earn higher return
- Reach financial goals
- Reduce taxable income

17. How did you gain information about the various investment opportunities?

- Social media
- Own experience
- Friends and Relatives
- Agents, Brokers & Consultants
- Advertisements

18. What rate of return on investment did you expect or how much did you get?

- Expected less than 20%
- Received less than 20%
- Expected more than 20%
- Received more than 20%

19. How could you describe the level of satisfaction?

- Highly Satisfied
- Satisfied
- Unsatisfied
- Highly Unsatisfied

20. When it comes to your investments, how would you rate your knowledge?

- 5- Excellent to 1- Very poor