

**CORPORATE BONDS: A STUDY ON INVESTOR'S PREFERENCE**

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**Abstract**

Investment is an activity that is engaged by people who have savings that is investments are made from savings. It is the employment of fund with the aim of achieving additional income or growth in value. Investment can be made through deposit in bank, share, debenture, corporate bonds, post office savings certificates, mutual fund, insurance, gold, silver, foreign exchange etc. Corporate bond is the debt security issued by the corporate for rising finance, moreover investors invested in corporate bond by taking the advantages of low risk compared to shares. The current study evaluates the preference of various types of investors for selecting corporate bond as their investment security.

**KEY WORDS:** Corporate bond, Risk Return-Safety-Liquidity, Types of investors

**INTRODUCTION**

Corporate bond is the debt security issued by the corporate for rising finance, moreover investors invested in corporate bond by taking the advantages of low risk compared to shares. Investment means to allocate money (or sometimes another resource, such as time) in the expectation of some benefit in the future, for example, investment on durable good such as real estate for service industry and factory for manufacturing product development, which are two common types for micro-economic output in modern economy. Investment is an activity that is engaged by people who have savings that is investments are made from savings. It is the employment of fund with the aim of achieving additional income or growth in value. Investment can be made through deposit in bank, share, debenture, post office savings certificates, mutual fund, insurance, gold, silver, foreign exchange etc. commonly called investment avenues. People choose investment on the basis of its return, risk, safety and liquidity. Corporate bonds traded in decentralised, dealer based, over-the -counter trading dealers act as intermediaries between buyers and sellers. Corporate bonds are sometime listed on exchanges (these are called "listed" bonds). However, vast majority of trading volume happens over-the-counter. In a contemporary world almost all stock broking agencies gives an opportunity to invest in corporate bond.

**OBJECTIVES**

The current study is carried out:

- To find out the perception of investors among different securities
- To find out the preference of investor's on source of fund for investment
- To analyse investor's reason for investment in securities
- To find out the opinion of investors about different type of securities and the reason for their investment.

**DISCUSSION ON CORPORATE BONDS**

A corporate bond is a debt security issued by the corporations and sold to investors those who have interested. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from the future operations. In some cases, the company's physical asset may be used as collateral for bonds. Generally some investors buy bonds because they provide a predictable income stream. Typically bonds pay interest twice a year. If the bonds are held maturity, bondholders get back the entire principal. So bonds area a way to preserve capital while investing. People made investment based on four factors such as return, risk, safety and liquidity. Corporate bond have an advantages of minimum risk compared to other securities, so generally corporate bond holders are the investors those who are not willing to take risk.

They do not expect large returns for their investment like shares. They are satisfied with the available returns with minimum risk. While compared with government bond holders corporate bond holders face higher risk. Because government bond carries lower risk compared than corporate bond, but on the basis of return corporate bond have high return than government bond.

**METHODOLOGY OF THE STUDY**

The present study is based on both primary and secondary data. Primary data are collected from the corporate bond investors of the three reputed stock broking agencies in Kerala. Primary data are collected through the interview schedule. Secondary data are collected from various books, journals, websites and company profile of these stock broking agencies.

**ANALYSIS AND INTERPRETATION**

**Table 1**

**Descriptive statistics on perception of investor’s among different securities**

TYPE OF SECURITIES	N	Minimum	Maximum	Mean	Std. Deviation
SHARE	60	1	3	1.7167	0.82527
CORPORATE BONDS	60	1	3	2.4833	0.59636
GOVERNMENT BOND	60	1	3	2.4167	0.80867
MUTUAL FUND	60	1	3	2.3667	0.51967
FIXED DEPOSIT	60	1	3	1.9833	0.62414
INSURANCE	60	1	3	1.7333	0.63424
COMMODITY	60	1	2	1.2833	0.45442

**Source: Primary data**

The above table shows the perception of investors about different securities. As per the descriptive statistics perception about corporate bond shows highest satisfaction followed by government bond and mutual fund. Investor’s perception about shares, fixed deposit, insurance and commodities has very lower mean value so these securities come under below average. However fixed deposit is very close to average.

**Table 2**

**Descriptive statistics on investor’s reason for investment in securities**

REASON FOR INVESTMENT	N	Minimum	Maximum	Mean	Std. Deviation
LOW RISK	60	2.00	3.00	2.6833	.46910
STABILITY OF RETURN	60	1.00	3.00	2.5000	.67648
SAFETY OF PRINCIPAL	60	2.00	3.00	2.3333	.47538
LIQUIDITY	60	1.00	2.00	1.3167	.46910

**Source: Primary data**

The above table shows the reason for investment in corporate bond. According to this descriptive statistical analysis majority of the investors invested in the corporate bond because of the low risk. Stability of return is an important reason for investment followed by safety of the principal. Low risk, stability of return and safety of the principle have an above average opinion. But liquidity has least perception its mean value shows it is below average.

**Table 3**

**Descriptive statistics on investor’s preference on source of fund for investment**

SOURCE OF FUND	N	Minimum	Maximum	Mean	Std. Deviation
OWNED FUND	60	2	3	2.8667	0.3428
BORROW FROM BANK	60	1	3	1.95	0.83209
PLEDGING OF ASSET	60	1	3	2.1667	0.69298
BORROWING FROM CREDITORS	60	1	2	1.0833	0.27872
BORROWING FROM OTHER FINANCIAL INSTITUTION	60	1	2	1.35	0.48099

**Source: Primary data**

The above table shows the source of fund for investment and investors preference about source of fund. As per this descriptive analysis owned fund used for investment have high perception and it has above average near to good. Pledging of asset for the source of fund has the second highest investor’s perception. As per this descriptive analysis pledging of asset have above average perception. Borrowing from bank for investment is below average but it is near to average perception. Borrowing from creditors and other financial institution have very lower investor’s perception because its mean value shows it is below average and near to bad.

**Table 4**

**Percentage score of opinion of investors about different type of securities**

TYPES OF SECURITIES		TYPE OF INVESTORS							
		others		Individual		Institutions		Total	
		Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %
SHARE	low	0	0.00%	26	56.50%	5	50.00%	31	51.70%
	medium	2	50.00%	10	21.70%	3	30.00%	15	25.00%
	high	2	50.00%	10	21.70%	2	20.00%	14	23.30%
CORPORATE BONDS	low	0	0.00%	3	6.50%	0	0.00%	3	5.00%
	medium	2	50.00%	21	45.70%	2	20.00%	25	41.70%
	high	2	50.00%	22	47.80%	8	80.00%	32	53.30%
GOVERNMENT BOND	low	0	0.00%	11	23.90%	1	10.00%	12	20.00%
	medium	2	50.00%	6	13.00%	3	30.00%	11	18.30%
	high	2	50.00%	29	63.00%	6	60.00%	37	61.70%
MUTUAL FUND	low	1	25.00%	0	0.00%	0	0.00%	1	1.70%
	medium	3	75.00%	28	60.90%	5	50.00%	36	60.00%
	high	0	0.00%	18	39.10%	5	50.00%	23	38.30%
FIXED DEPOSIT	low	1	25.00%	10	21.70%	1	10.00%	12	20.00%
	medium	3	75.00%	29	63.00%	5	50.00%	37	61.70%
	high	0	0.00%	7	15.20%	4	40.00%	11	18.30%
INSURANCE	low	0	0.00%	17	37.00%	5	50.00%	22	36.70%
	medium	3	75.00%	26	56.50%	3	30.00%	32	53.30%
	high	1	25.00%	3	6.50%	2	20.00%	6	10.00%
COMMODITY	low	3	75.00%	34	73.90%	6	60.00%	43	71.70%
	medium	1	25.00%	12	26.10%	4	40.00%	17	28.30%
	high	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**Source: Primary data**

The above table shows the percentage score of opinion of investors about different securities. The table reveals that perception about shares by majority of individual and institutional investors are low, while perception about other investors are high and medium. Majority of the individual investors has an average perception about corporate bond but institutional investors have high perception. Other investors have an above average opinion about it. Perception about government bond is very high in case of both individual and institutional investors.

Individual, institutional and other investors have an average perception about mutual fund. Investor's perception about fixed deposit shows an average trend in case of three types of investors. Investor's preference about insurance have an average responds but in case of commodity trading investors have very low perception about it.

**Table 5**

**Percentage score of opinion of investors about reason for investment in corporate bonds**

REASON	TYPE OF INVESTORS								
	Others		Individual		Institutions		Total		
	Count	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
LOW RISK	low	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	medium	2	50.00%	14	30.40%	3	30.00%	19	31.70%
	high	2	50.00%	32	69.60%	7	70.00%	41	68.30%
STABILITY OF RETURN	low	0	0.00%	4	8.70%	2	20.00%	6	10.00%
	medium	1	25.00%	12	26.10%	5	50.00%	18	30.00%
	high	3	75.00%	30	65.20%	3	30.00%	36	60.00%
SAFETY OF PRINCIPAL	low	0	0.00%	0	0.00%	0	0.00%	0	0.00%
	medium	3	75.00%	31	67.40%	6	60.00%	40	66.70%
	high	1	25.00%	15	32.60%	4	40.00%	20	33.30%
LIQUIDITY	low	2	50.00%	33	71.70%	6	60.00%	41	68.30%
	medium	2	50.00%	13	28.30%	4	40.00%	19	31.70%
	high	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**Source: Primary data**

The table shows percentage score of opinion of investors about reason for investment in corporate bond. As per this table majority of the investors have very high opinion about low risk? Both individual and institutional investors have very high opinion. Majority of the investors have an above average opinion about stability of return. But in the case of institutional investors they have only average perception about stability of return. All type of investors have an average responds about the safety of principal they have an average perception. All investors does not give priority to the liquidity because it has very lower perception.

**CONCLUSION**

The present study is based on the investor's preference about the corporate bond and other type of securities with respect to reason for trading and source of fund. Through different test and direct observation majority of the investors choose corporate bond and government bond because stability of return with minimum risk. Another set of investors invested in corporate bond because of the safety of the principal. Generally investors choose own fund for investment than borrowed fund. But some people pledge their asset for the security investment.

**LIMITATION OF THE STUDY**

The study is based on convenient sampling technique, so all the limitations of convenient sample study are inherited. The investors were scattered to different places, so it is difficult to collect the primary data due to time constraints.

**REFERENCE**

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