

STUDY ON INVESTMENT PATTERN AND THE FACTORS INFLUENCING INVESTMENT DECISIONS OF AN INDIVIDUAL

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ABSTRACT

Rigorous financial investment is the need of the hour. For the Indian economy to grow at the desired rapid pace, more capital formation and hence rigorous capital mobilization by the investors is required. Like institutional investors, retail investors too need to have an organised portfolio in modern investments instead of relying on traditional methods of investment. Many a times these traditional investments overlap with what is also called as unorganised investments. In this paper we have tried to understand the factors that lead to an investment in a particular investment avenue (modern investment and traditional investment avenue along with unorganised investment options) based on factors like AGE, INCOME and EDUCATION. The study is based on primary data collected from 157 respondents in Mumbai district. Karl Pearson's Co-efficient of correlation was calculated using SPSS. And a strong positive correlation was found among "income and mutual fund investment" and "income and equity shares investment". A strong negative correlation was found between "Age and Equity Share Investment". Findings of the paper clearly indicate that Age, Income and Education are primary factors that affect the decision of investment of a particular individual.

Key Words : Modern investment, Traditional investment, Education, Age, Income, Investors education

1. Introduction

India in general had been a 'saving economy', where people plan their future outflow on the basis of funds available either in the form of 'income' or 'savings'.

The policy maker needs to make it mandatory that each stakeholder of financial system should spend for creating awareness among the retail investors about modern investment avenues and the benefits associated with diversified investment portfolio. NISM was set up by the SEBI in 2005 with an objective to educate and train various stakeholders as also to promote research initiatives in the capital market space. SEBI has also launched a comprehensive education campaign which aimed at

creating awareness among investors about securities market known as "Securities Market Awareness Campaign" (SMAC). As per a survey report of 2019 only 2.5% of Indian population invests in stock market whereas only 1.5% invests in Mutual funds. AMFI "Mutual Fund Sahi Hai" campaign is what focused on to increase India's penetration in this modern investment avenues.

This Project tries to gauge how far these initiatives have become successful by finding investment options preferred by retail investors of Mumbai district. Understanding the need for 'investors' education, Indian financial sector is investing huge money, time and energy in 'investor's education'.

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2. Literature review

U M Gopal Krishna (2019) studied the investor's investment preference reasons for the investment avenue and the impact of the Investors investment decision making on preference of the investment avenue. The study was based on primary data obtained from 216 respondents of Kurnool District of Andhra Pradesh. The main findings of the study reflects the results of the Investors Investment Preference Reasons in the different investment avenues

V. Dineshkumar (2018) studied the pattern of individual investor's investment, their strategies while investing and their expectation from the investment made by them. The study was based primary survey of 250 individuals of different age group, different income level, different occupation and different education qualifications from Hyderabad.

Disha. A. Popat (2018) studied the rural and urban investors' financial knowledge and perception towards risk and return associated with the financial decisions of different investment avenues. The study was based upon primary data collected through questionnaire administered to 100 rural and 100 urban investors from Gandhinagar. The findings explain that decisions of rural investors are inclined towards less risky and moderate return avenues and urban investors are more interested towards high risk and high return options.

Davinder Kaur (2019) studied the investment behaviour and preferences of investors towards the various investment alternatives and the risk

tolerance level of individual investor. The study was based on primary survey of 300 respondents of National Capital Region (Delhi and NOIDA).

3. Objectives of Research

- To study retail investors' pattern of investment and understand their preference with respect to traditional and modern investments
- To identify the foremost and least preferred investment avenue choice of investors.
- To assess the parameters of investment of retail investors.

4. Research methodology

4.1 Data Collection

The study is based upon primary data collected from 157 respondents through a structured questionnaire covering different group of peoples of different age group, education level and income level among Mumbai District. The secondary data has been collected through research papers and web links.

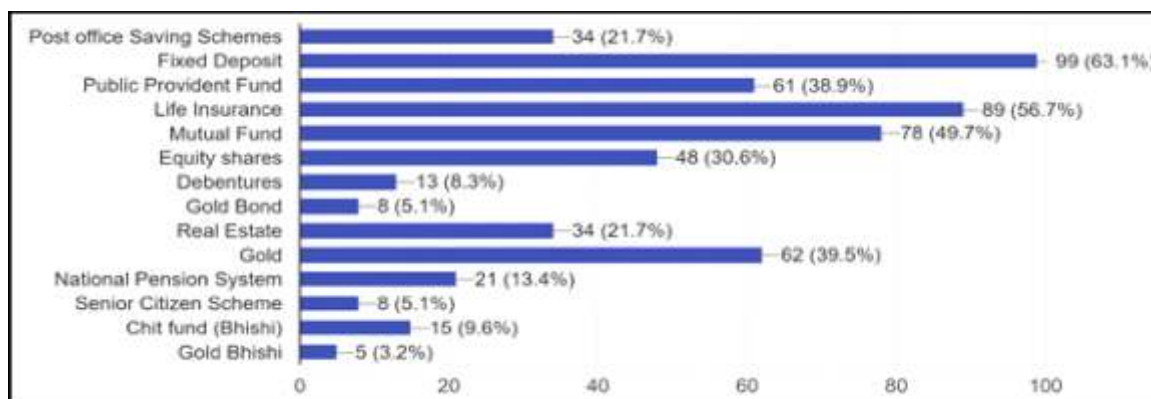
4.2 Data Analysis

Analysis of data was done with the help of SPSS. We used bivariate correlation to study the reliance of different parameters among themselves. Some parameters have been represented using percentage and pie chart

5. Analysis and Interpretation

5.1 Investment options preferred

14 different investment options in the category of unorganized sector savings, traditional investments and modern investment were given to the respondents. Investment options preferred can be seen in the graph 1.1

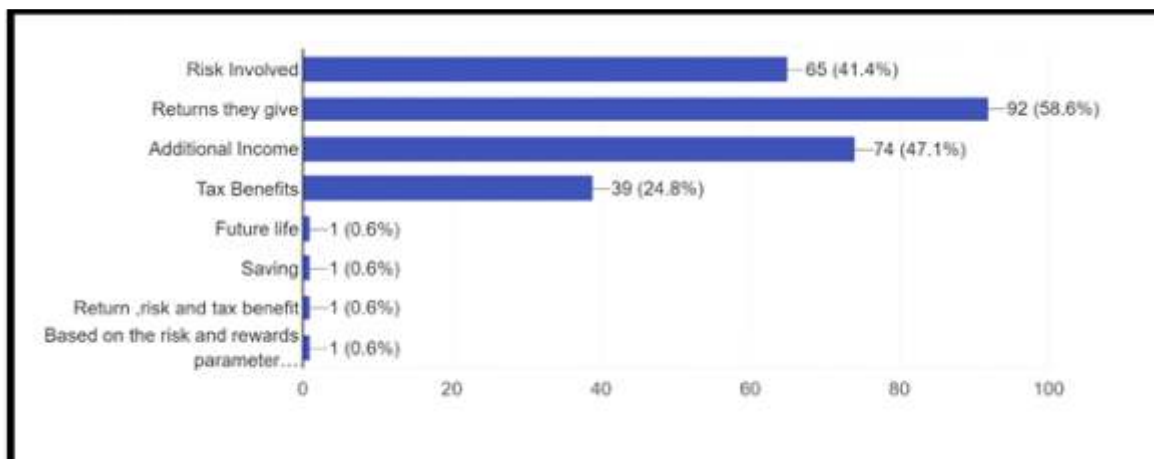


Graph 1.1: Investment options chosen

As the graph 1.1 suggests, of the total respondents, 63% respondents chose fixed deposit as the most preferred investment option. Mutual funds are the second best investment options preferred, followed by investment in gold

5.2 Factors considered while making an investment decision

9 different options were given to the respondents, and were asked to select the factors that they consider most important while choosing a particular investment avenue.



Graph 1.2: Factors considered for decision making of investments

The graph explains the parameter on which the investment decisions of the investors depends. On the basis of the survey it has been observed that 41.4% of the respondents thinks that risk is the dominant factor influencing their investment decision. More the risk less the investment in particular investment option. 58.6% of the respondents responded that their investment depends on returns an investment generate. 47.1% of the respondents invest in order to generate additional

income. Tax benefits was another reason chosen by the 24.8% of the respondents.

5.3 Correlation among different factors of investment

The three parameters of Age, Income and Education were pitched against the different investment avenues selected among Modern, Traditional and Unorganised investments. The six tables gives us a fair idea of how Age, Income and Education affects the investment pattern of an individual.

		Income	Mutual funds
Income	Pearson Correlation	1	.987*
	Sig. (2-tailed)		.013
	N	4	4
Mutual funds	Pearson Correlation	.987	1
	Sig. (2-tailed)	.013	
	N	4	4

Table 1.1: Correlation between income and mutual fund

The above table explains the Correlation between two heads out of which the first head is Income and other is one of the modern investment option that is mutual fund. It can be observed through the table that the correlation between income and mutual fund is 0.987. The strong positive correlation shows that

there is direct relation between income and mutual fund. With increase in income the investment in mutual fund goes on increasing thus it can be said that as the income increases from 6 lakh to 12 lakh and above 12 lakh the investors are more inclined towards investment in mutual funds.

		Income	Equity shares
Income	Pearson Correlation	1	.935
	Sig. (2-tailed)		.065
	N	4	4
Equity shares	Pearson Correlation	.935	1
	Sig. (2-tailed)	.065	
	N	4	4

Table 1.2: Correlation between income and equity shares

The above table explains the Correlation between two heads out of which the first head is Income and other is one of the modern investment option that is equity shares. It can be observed through the table that the correlation between income and equity shares is 0.935. The strong positive correlation

shows that there is direct relation between income and equity shares. With increase in income the investment in equity shares goes on increasing thus it can be said that as the income increases from 6 lakh to 12 lakh and above 12 lakh the investors are more inclined towards investment in equity shares.

		Income	Unorganised Investments
Income	Pearson Correlation	1	.319
	Sig. (2-tailed)		.681
	N	4	4
Unorganised Investments	Pearson Correlation	.319	1
	Sig. (2-tailed)	.681	
	N	4	4

Table 1.3: Correlation between income and unorganised investments

The above table explains the Correlation between two heads out of which the first head is Income and other is one is unorganised investments. It can be observed through the table that the correlation between income and unorganised investments is 0.319. The weak but positive correlation shows that there is direct relation between income and

unorganised investments. With increase in income the investment in unorganised investments goes on increasing thus it can be said that not only the respondents having income below 2 lakh opt for unorganised investments but also the one with higher income opt for unorganised investments.

		Age	Mutual funds
Age	Pearson Correlation	1	.248
	Sig. (2-tailed)		.752
	N	4	4
Mutual funds	Pearson Correlation	.248	1
	Sig. (2-tailed)	.752	
	N	4	4

Table 1.4: Correlation between age and mutual fund

The above table shows the correlation between social factor age group and modern mutual fund. The weak positive correlation between age and mutual fund shows that there is no direct relationship between age and mutual fund.

		Age	Equity shares
Age	Pearson Correlation	1	-.714
	Sig. (2-tailed)		.286
	N	4	4
Equity shares	Pearson Correlation	-.714	1
	Sig. (2-tailed)	.286	
	N	4	4

Table 1.5 Correlation between age and equity shares

The above table shows the correlation between social factor age group of the investors and equity shares. Correlation between age and equity shares is -0.714. Correlation between age and equity shares shows negative but strong inverse relationship between age and equity shares. With increase in age the investment in equity shares goes on decreasing thus it can be said that the younger generation or new generation which falls between age group of 20 - 30 and 30-40 chooses modern investment options for investment. However as the age increases that is as it goes above 50 preferences of the investors towards investment in equity shares falls.

		Age	Unorganised Investments
Age	Pearson Correlation	1	.530
	Sig. (2-tailed)		.470
	N	4	4
Unorganised Investments	Pearson Correlation	.530	1
	Sig. (2-tailed)	.470	
	N	4	4

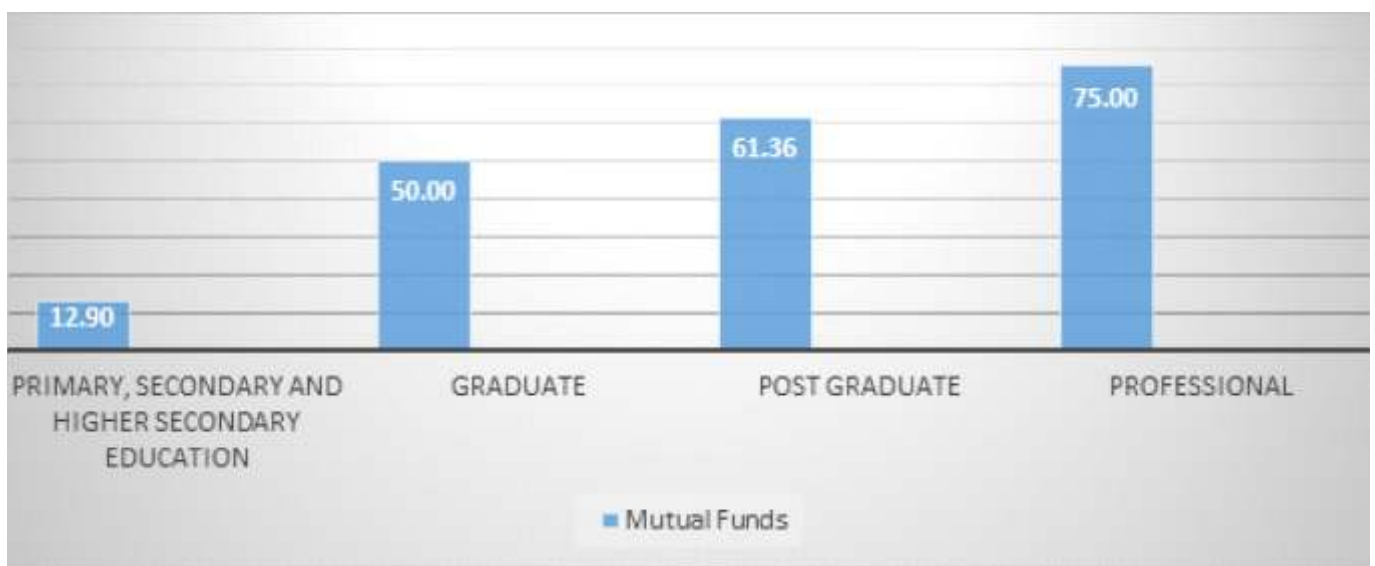
Table 1.6: Correlation between age and unorganised investments

The above table shows the correlation between age group of the investors and the unorganised investments. This unorganised investments include Gold, Chit Fund (Bhishi) and Gold Bhishi. Correlation between age and unorganised investments is 0.530. The strong positive correlation between age and unorganised investments shows that there is direct relationship between age and unorganised investments. With increase in age the investment in unorganised investments increases,

indicating that the young age respondent least preferred unorganised investments however as the age increases the preference of investors moves to unorganised investments.

5.4 Preference for Mutual funds on basis of Education

The bar graph explains the investors' preference towards modern investment option mutual funds on the basis of their level of education



Graph 1.3: Preference for Mutual funds on basis of Education

Interpretation:

The bar graph explains that only 12.90% of the respondents having primary, secondary and higher secondary education invest in mutual funds. However 50% of the respondents having graduation degree chooses mutual funds for investment followed by 61.36% of the respondents having post graduate degree and 75% of the respondents having a professional degree. Thus it can be said that professionals are more inclined towards investment in mutual funds along with graduates and post graduates however on the other hand respondents having primary, secondary and higher secondary education least prefer mutual funds.

5.5 Preference for equity shares on basis of Education

The bar graph explains the investor's preference towards modern investment option equity shares on the basis of their level of education



Graph 1.4: Preference for equity shares on basis of Education

Interpretation:

The bar graph explains that only 9.68% of the respondents having primary, secondary and higher secondary education invest in equity shares. Similarly 24.14% of the respondents having graduation degree chooses equity shares for investment followed by 34.09% of the respondents having post graduate degree and 66.67% of the respondents having a professional degree. Thus it can be said that professional are more inclined towards investment in equity shares on the other side respondents having primary, secondary and higher secondary education least prefer equity shares.

6. Findings

The research and interpretation done on the basis of data analysis clearly indicate that Age, Income and Education are primary factors that affects the decision of investment of a particular individual.

7. Conclusion

The research indicates that Age, Income and Education are the most important and deciding factor for an individual making an investment. It can be said that higher income group with higher education of young and middle age have preferred modern

tools of investment thus displaying higher risk taking ability than the respondents of other aforementioned groups. The age group with higher age still preferred the traditional and unorganised investment avenues. To conclude, institutions and organisations (government as well as non-government) will have to focus more on educating people on different aspects of modern investment, which in turn should attract more investors towards modern investments.

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