

A Study on Investment Options and Investors Attitude towards Investment

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ABSTRACT

This research paper titled mainly aims to understand the various options of investments available in India and the most preferred option by people by understanding their psychographic traits through identifying the factors those influence their Investments decisions. India as compared to other countries have always been the land where saving money is given a priority. People in India believe in spending less than their income and save maximum amount possible to secure themselves and their families' future. Thus along with huge amount of saving, Investment comes into the picture. With various categories of people in India there are numerous options of Investment available as per the requirement, on basis of varying needs and risk appetite. Thereby over the years it has given rise to the competition among the companies to provide better investment options with good returns and satisfy the needs of customers. But along with various features and returns the securities provide, it has been observed that there are various Psychographic, Cultural and Demographic factors that influence the attitude of people towards their Investment Decisions, thereby the project has tried to identify such varied factors and the degree to which it affects the decision of potential customer.

Keywords: Customer, Investments, Psychographics, Attitude, India.

INTRODUCTION

India being the developing nation, has emerged as fastest growing economies in the world and also being the nation with highest population in the world with majority of people consisting of young age group, it always had huge investment generating capability. Along with increasing GDP over the years per capita income has also increased and was estimated at Rs 1,45,680 crore in FY21. This increase has given huge opportunity for investment market to grow.

To cater the needs of huge population for Investments there are various financial sectors available in market to earn returns, secure your savings and plan your money management wisely.

Few popular Investment options available are studied in the projects which are as follows-

1. Bank deposits – This is the most common Investment option available for investment to every person. It is a flexible investment option with short term as well as long term investment facility. It is considered as easy and convenient investment option for all age Groups. Also it is Risk Free and most traditional way of investment which is preferred by all the strata of population.
2. PPF – PPF is saving cum tax saving Instrument in India which was introduced by National Saving Institute of Ministry of Finance. It is a Risk free option available. There is no specific Eligibility criterion or any Age limit for Investment. Thus it is considered as good long term option which provides fixed rate of return.
3. Mutual Funds - Mutual Fund is a type of Financial Vehicle that collects money from various Investors and allocate those fund in different Financial Assets to generate income. It creates a diversified Portfolio for Investor there by averting the Risk and compensating for losses in any one sector. It has slow risk as compared to Share Market. Also it provides decent degree of liquidity.
4. Post Office Schemes – Post office provides various investment schemes under Government Guidance including PPF, Sukanya Samruddhi yojana, NSC, Post Office Time Deposit etc. These schemes plays very important role to cover different categories and people from different location to come under umbrella of investments as post office has reach even in Interiors of India.
5. Stock Market – Stock market is designed for trading various kinds of stocks in controlled secured and managed environment. As we all know it works on the standard rule of Demand and Supply. It is a High Risk involved market which can provide very High Return in short period if executed wisely.

Share market works on two major indices and benchmarks which are

1. SENSEX i.e weighted stock market index of well-established and financially sound 30 listed companies
2. NIFTY i.e weighted stock market index of 50 larges Indian listed companies

6. Insurance cum Investment schemes – These are the options where companies provides compensation for specified loss, Damage, illness or death in return for payment of specified premium. Insurance market consist of Non-Life Insurance sector and Life Insurance Sector. Insurance Sector is governed by IRDA (Insurance regulatory and Development Authority). Few insurance cum Investment schemes now a days provide return as high as 8%pa along with various other features of Loan, less lock in period plus life cover. Thus Investment in this sector is showing Increasing trend.
7. Real Estate – This is again long Term Investment option available with Risk involved which can Earn High Returns. Real estate provides various options to people from Small to Large funds raisers like REIT, Real Estate Investment Groups, and Real Estate Limited Partnerships etc. Though Economic factors do affect the returns you get from Real Estate.

8. CRYPTO CURRENCY

A crypto currency is a new medium of exchange which uses computerized database for strong cryptography to secure transaction records and verify transfer of coin ownership. Thus this medium does not exist in physical form and also not issued by central authority. Crypto currency works through distributed ledger technology typically a blockchain. Currently it is not recognised by Indian Government as legal tender nor regulated by RBI, but there are no laws that prohibit trading in crypto and thus lot of people are taking interest in Investing in crypto currency. The numbers reflect a sharp increase in crypto investments in India as much as from \$200million to \$40billion in the year 2020. This number is a reflection of attitude that investors carry and the changing perceptions of investors towards new investment options available in market.

LITERATURE REVIEW

1. Sindhu K.P and Dr. S.Rajitha Kumar, (Sept 2013), the main objective of the paper was to understand and study specific Attitudes of Investors on Investment Decisions. The paper mainly focuses on Investment in Mutual Funds and various factors Influencing decision of Investors while investing in Mutual Fund. The researchers conclude by stating that increase in awareness about mutual funds will result in increase in its Investment and has also highlighted about the need of new and Innovative Mutual Fund Products to be brought in Market by Asset Management Companies.
2. Anuradha Samal and A.K. Das Mohapatra (Aug 2017), the study presents the factors Influencing Investment Decisions in Indian capital Market. The purpose of research is to study on retail Investors in the Odisha Province. The main objective of the study is to determine investment influencing factors and understand its relation with socio economic characteristics of investors in Odisha province. Reliability Test and Factor test are used as Research tools and the findings states that Investment decisions are influence by various factors like Organization efficacy, mediators Influence, ROI, fear of loss, Risk factors and Income level.
3. Deepak Sood and Dr. Navdeep Kaur (February 2015), the paper specifically presents findings with respect to Investment pattern of salaried Class People, research was conducted in in the city of Chandigarh. Sampling technique is used for Survey. Analysis was done on basis of Age, Gender, Marital status, Annual Income, Categorization of Job, and Types of Working sector. On the basis of survey they have concluded that salaried class has started realizing the importance of saving and Investment. Most people are preferring Normal standard of living over the luxurious one. Also the findings showcase the reasons for increase in savings which included saving money for children education, marriage and other goals of life.
4. Riyazahmed.K (April 2021) - The paper studies Investment Motives and preferences of people during Covid 19. Author used primary data collected through questionnaire. The study was conducted on the basis of Demographic, Socio economic factors and Various investment motives behind the Investment preferences and also which avenues of investments like Mutual funds, Life Insurance, and shares is more preferred by people. Factor analysis and Regression analysis tools are used to analyse the data. Through the findings they have disclosed that the Covid 19 has positive impact on Investments but the same is influenced by investment motives that drive investors towards different avenues. Various aspects like nature of Investments, Investors personal characteristics, behavioural aspects, awareness etc are the important determinants of Investor preferences.
5. Ms. Babita Yadav and Dr. Anshuja Tiwari (July 2012) – The main objective of the paper was to study and explore various factors influencing customer investment decision in life insurance, preferences of customers while taking life insurance and factors responsible for selecting life insurance option. They have conducted direct interview and questionnaire as an instrument for collecting data and through the research they have reached to the findings that life insurance penetration in India is very low as compared to developed nation.

Customers play very important role in life insurance business thus company needs to offer need based innovative products and demographic factors of people play pivotal role in purchase of life insurance policy. Numbers of statistical tools like chi-square, Correlation, weighted average have been used for testing hypothesis.

RESEARCH OBJECTIVES

- To understand which Investment Options are preferred by people.
- Investor's attitudes towards various Investment options available.
- Factors that Influence the decision of Investors while Investing.
- Impact of Demographic and Competitive factors those Influence the Investment Decisions.

RESEARCH METHODOLOGY

- **Primary Data** – A through Questionnaire was prepared for primary data collection and survey was filled by 70 respondents. Questions were multiple choice and Rating based which were constructed with the intention to understand the Investment Options preferred by people and the factors that influence their investment criterion.
- **Secondary Data** – Research Papers were referred for understanding different studies undertaken to analyse Investment options and Investors Attitude.

DATA ANALYSIS

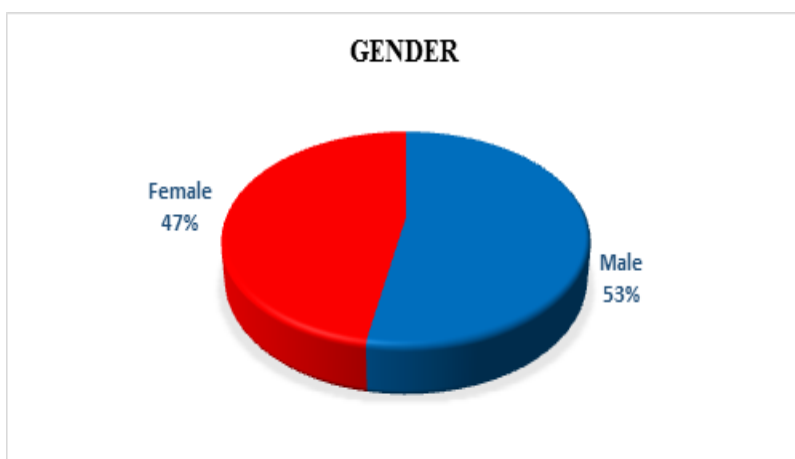


Fig 1.

As shown in the Figure 1 from the 70 respondents who responded to the survey 53% were Male and 47% were female.

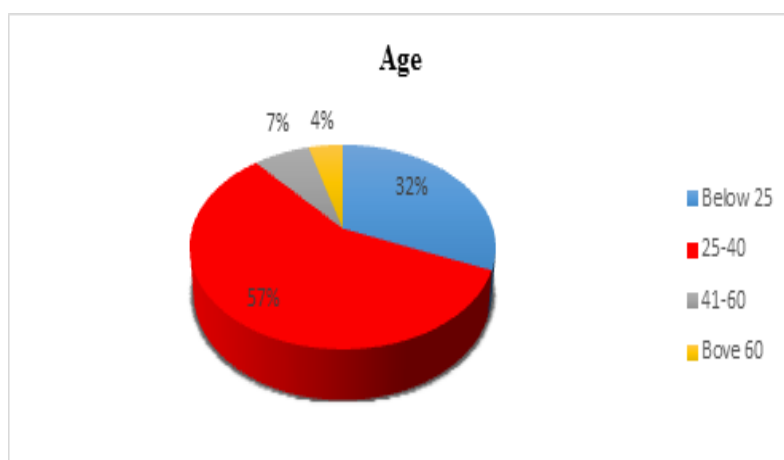


Fig 2.

As shown in the figure 2 analysis is done on one of the demographic Factor i.e Age where maximum respondents (57%) are from the age group of 25 to 40 and almost 32% respondents are from age group of below 25.

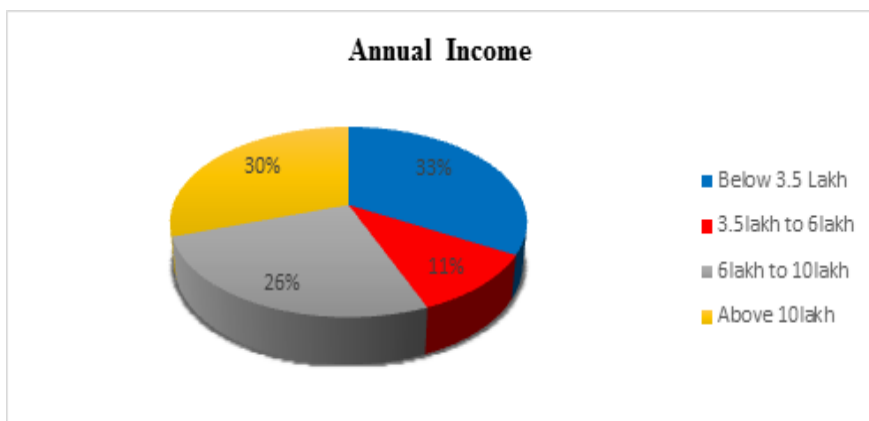


Fig 3

In Figure 3 we can see that range of Annual Income of respondents is reflected and maximum respondents are having Income less than 3.5 lakhs and below that there is class of people with Income of above 10 lakhs. This wide range has given the analysis regarding Investment Preference of people from both lowest and Highest Income category.

Where do you prefer to invest regularly?

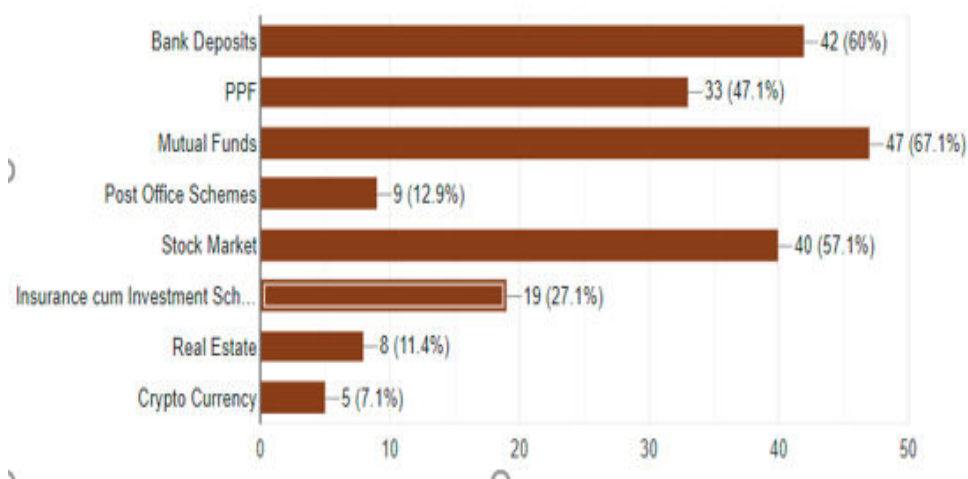


Fig 4

From the various Investment options available in the market I have tried to understand which investment is preferred most by people through primary data collection, and from the 70 responses received we can see that most of the people (67%) have preferred investing in Mutual Funds which is followed by conventional Investment option of Bank Deposits (60%) and the next most preferred option is of stock market. Thus Mutual Funds, Bank Deposits and Stock Market are the top 3 preferred Investment options.

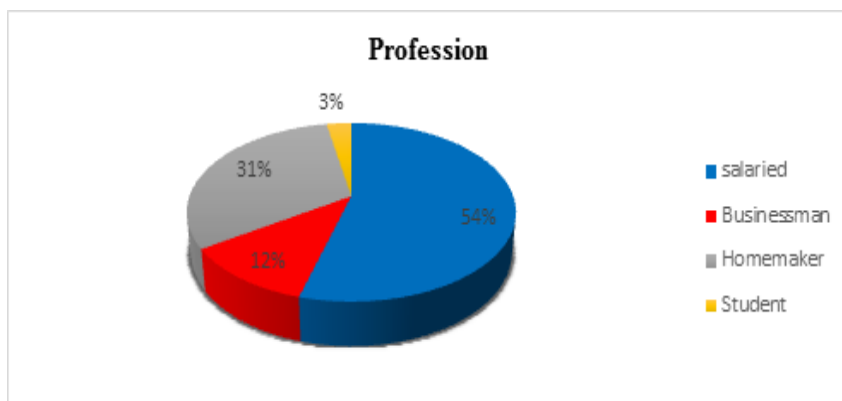


Fig 5.

From the above figure we can see that maximum people contributed to survey includes salaried class which is around 54%, followed by 31% homemakers' 12% business man and 3% of students.

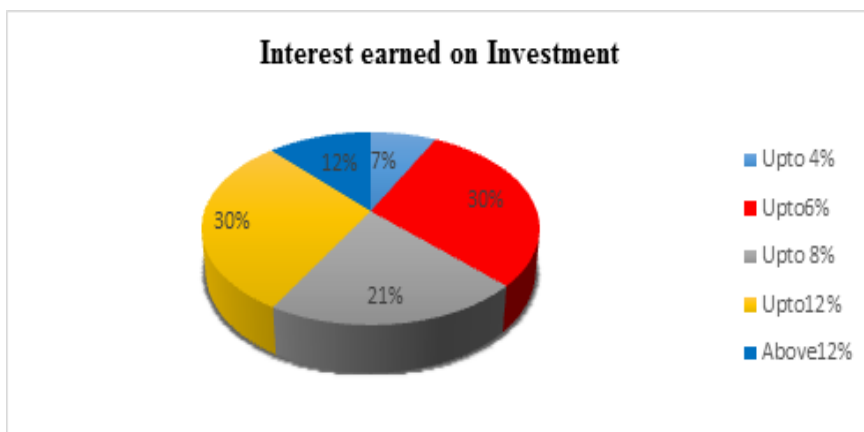


Fig 6.

To understand ROI from investing in various instruments people were asked about the overall interest they earn from all investments and from the above pie chart we can infer that almost 75% of the people are in the range of 6% to 12%.

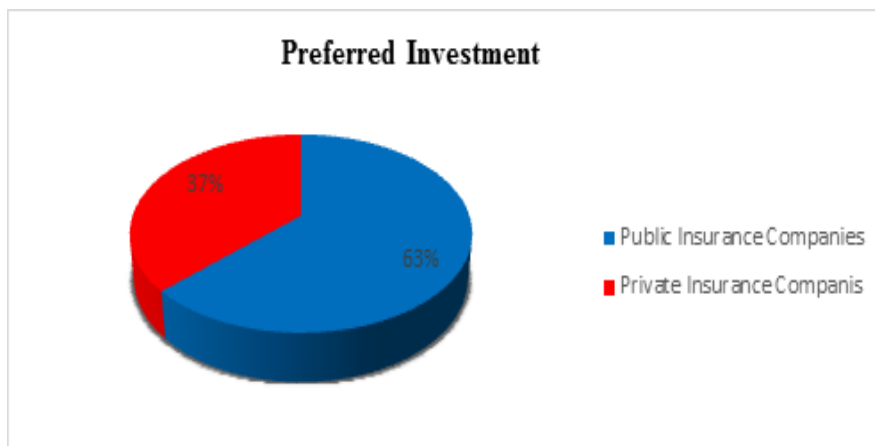


Fig 7

Since this project also aims to understand the attitude of people while investing, we have tried to find out the preference towards investing in Public Insurance companies and Private Insurance companies and from above pie chart we can clearly see that 63% percent have preferred Public insurance companies over Private Insurance companies.

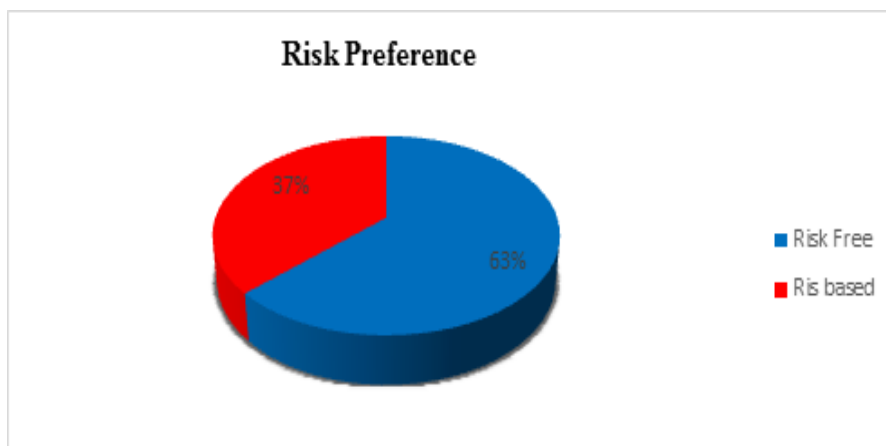


Fig 8

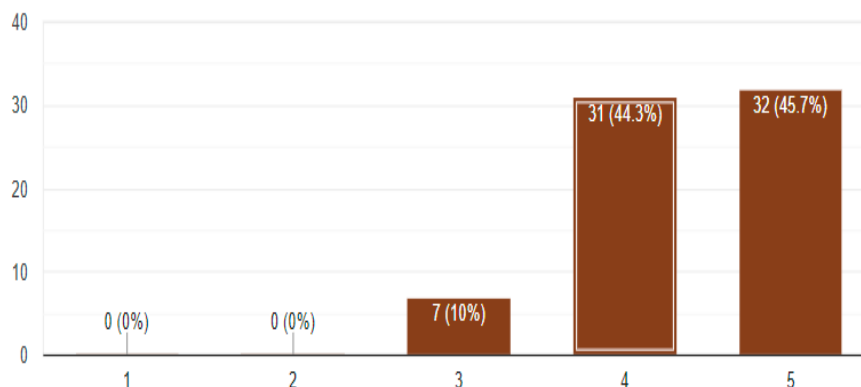
Every Investor in the market has different mind-set and perspective while investing. Few investors have good risk Appetite where as some of them are risk averse and always preferred secured investment with fixed income. This approach towards investment has huge impact on type of investment options preferred by people and attitude they have while investing. The above diagram reflects that 63% investors prefer risk free Investment over the risk based one.

Pointer Scale Analysis

Questions related to various factors those influence the Investment decisions were asked in the questionnaire and the respondents were expected to respond on linear scale pointer basis where 1 was the least important and 5 as most important.

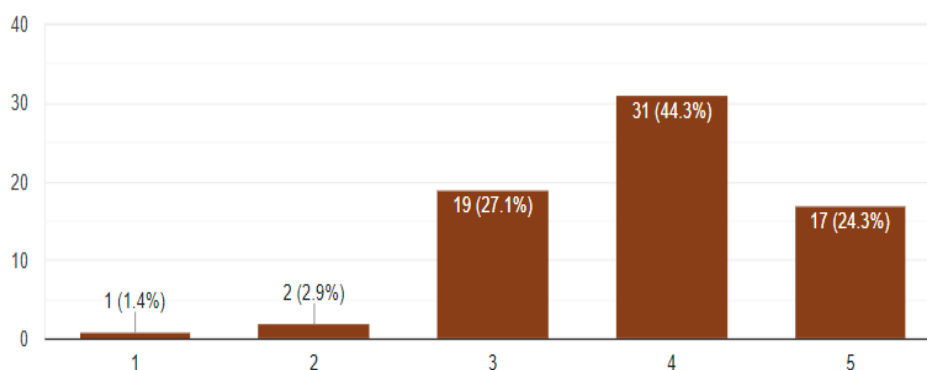
Analysis of each question is stated further-

1. Influence of company's credibility.



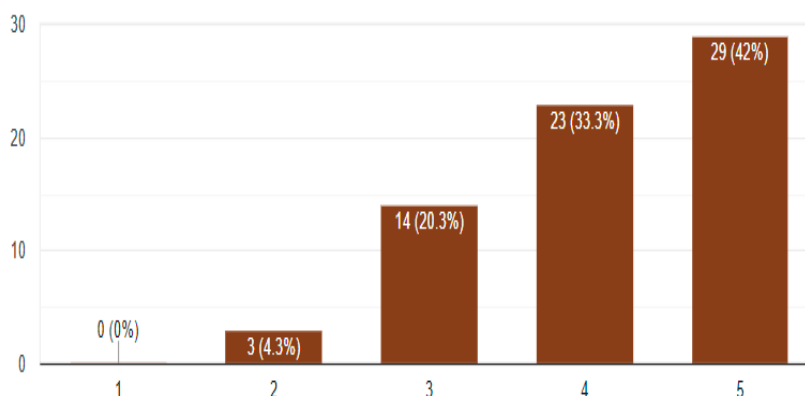
While investing in any company one of the important parameter considered by Investor is Company's Credibility. Which includes Company's Goodwill or Brand Image in the market depending on its performance. Thus this question is asked primarily in questionnaire to understand how important this factor can be, and we can see in the graph that maximum people have rated this factor at point 5 which maximum points are allotted.

2. Importance of expert's recommendation about investment



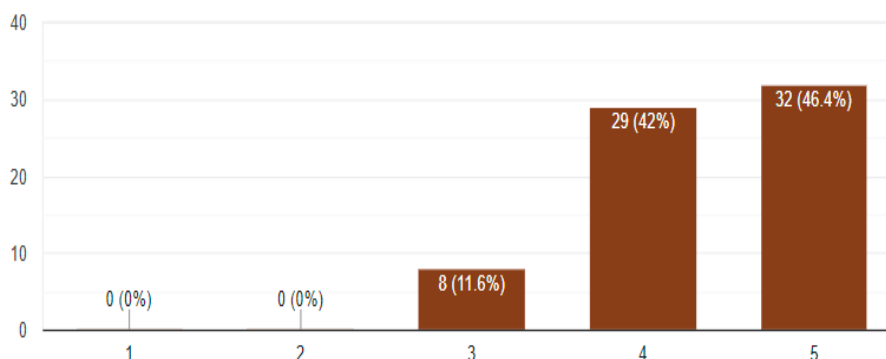
While Investing in any Instrument, most of the people prefer to take expert's opinion, though few of them do self-analysis, few consider it important to take suggestion from the one who has deep knowledge about subject. Thus the above factor is important for understanding investors thinking while investing.

3. Self-analysis and study about Investment



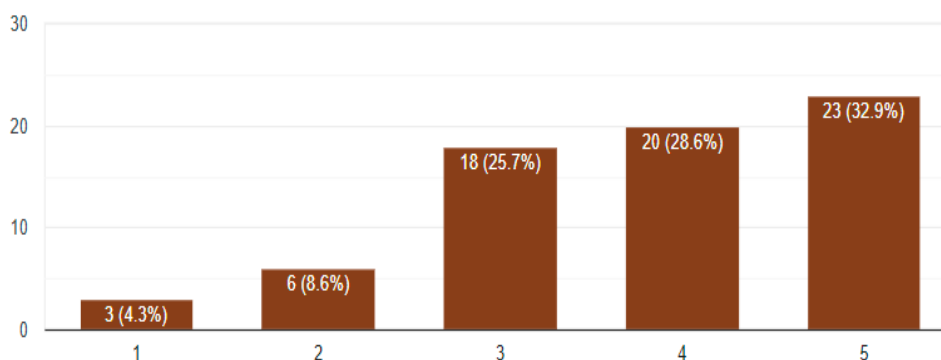
While investing in any instrument some people give lot of importance to self- analysis as it provides them assurance about investments and the returns they would get. Investment options which provide opportunity for self-analysis and easy user access it influence the decision of investor while investing.

4. Percentage of return on Investment



This is the most important factor which influence the decision of investment as every Investor expects good returns from the amount invested by him in any kind of instrument. Most of the times this is the only factor which people take into consideration while investing. We can also see in the graph that almost 42% have rated this factor at 4 pointers and 46% have rated this at 5 pointers which reflects that this is considered as very important factor while investing.

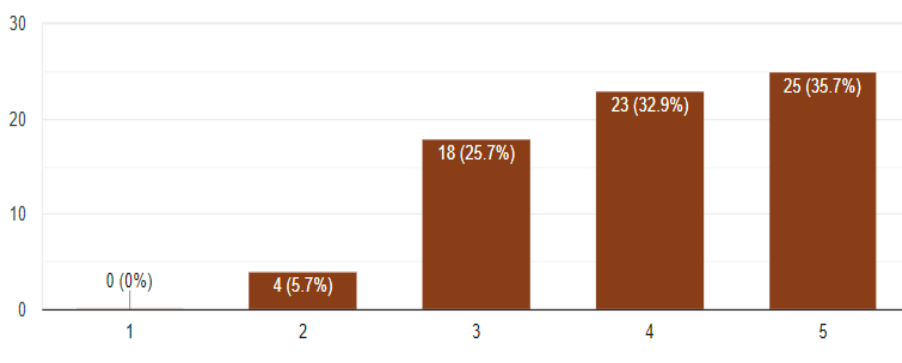
5. Whether the instrument of Company you are investing in is Listed Company?



While investing in any instrument few people who have knowledge about financial aspects and stock market they try to check if the company is listed in the market or not, as for them it is an important factor to value the worth of company or its performance. And from the survey undertaken we can see that there are few people who think that this is not a factor which will influence the

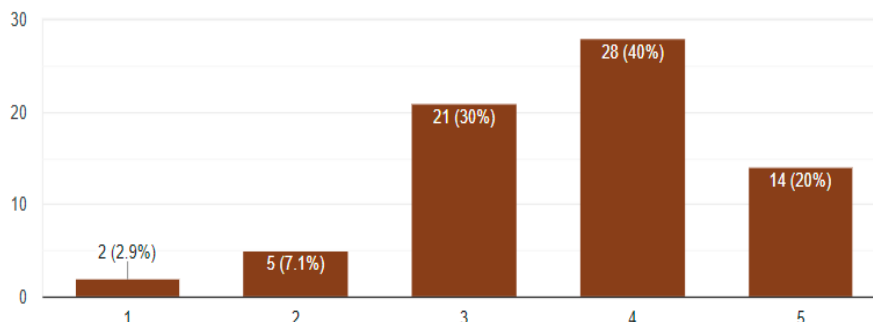
investment decision but at the same time 32.9% people consider this point as important whereas 25.7% people are neutral about this.

6. Company's performance in Stock market?



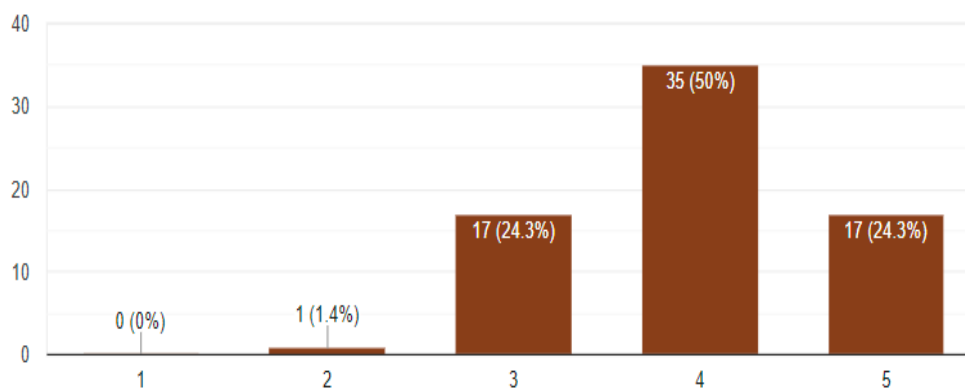
From the above graph we can observe that the response for the above question is distributed and there are people who are neutral about this factor as it does not affect their investment decision, whereas there are still 35.7% of people who feel that even the company's performance in stock market need to analysed and thus have considered this factor as very important while investing.

7. Does Flexibility of Lock in period Influence your Investment Decision?



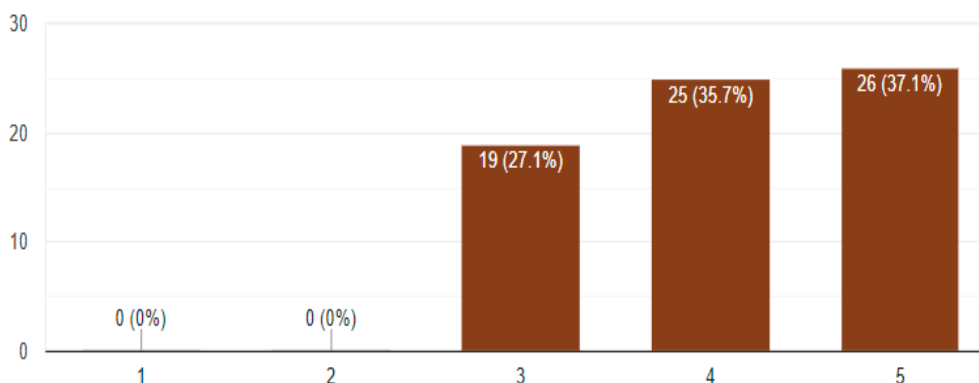
Different Investment option provide different lock in period options and people choose the scheme as per their requirements. Thus the flexibility in lock in period is important factor that people take into consideration while investing, as lock in period decides the years for which money will be locked in the investment and thus maximum people i.e about 40% (as represented in graph) thinks this is important factor

8. Liquidity Feature Offered by Investment



From the above graph we can conclude that almost 50% of people are of the opinion that liquidity offered by investment Instrument influence their decision while investing as it secure them in case of any emergency of funds.

9. Importance of Simplified Investment Procedure



The above graph states that almost 37.1% people consider simplified process is very important factor while investing in any instrument, as it makes their work easy, while almost 35.7% people have responded with 4 points preference to this factor from which we can understand that with increase in digitalized process people also expecting it to be user friendly.

HYPOTHESIS

a) Relationship between Age and Risk Taking attitude of Investor while Investing.

Age	below 25	25-40	41-60	Above 60
Investment Preference				
Risk Free	15	24	4	1
Risk Based	8	15	1	2

Hypothesis considered for testing purpose:-

Null Hypothesis-

H0:- There is no relationship between Age and Risk taking Attitude of investor

Alternative Hypothesis

H1:- There is relationship present between Age and Risk taking Attitude of Investor.

To test the above mentioned Null Hypothesis, Karl Pearson's Coefficient of Correlation was calculated which is as follows

	Age	Which type of Investment is preferred
Age	1	-0.036510070693871
Which type of Investment is preferred	-0.036510070693871	1

As seen in the table "r" value is -0.036510070693871. That states there is negative correlation between Age and Type of Investment Preferred by Investor

However in order to understand level of significance, 'P' value is calculated.

	df	SS	MS	F	Significance F
Regression	1	10.56943	10.56943	0.090764	0.764127491
Residual	68	7918.573	116.4496		
Total	69	7929.143			

RESULT-

The "P" value was 0.764127491, which is much higher than 0.05, HO1 is accepted and H1 is rejected. Thus the result shows that relationship between Age and Risk Taking attitude of Investor is insignificant.

b) Relation between Self-analysis or study before Investing and Interest Earned annually-

It was tried to find out through survey, if people give importance on doing self- analysis before investing in any instrument, and they were asked to provide response on 5pointer scale wherein 1 was least preferred and 5 was highly preferred. The responses received are tabulated in the table below-

Self-analysis about Investment (Pointers)	1	2	3	4	5
Total Responses Received	0	3	14	12	30
Interest earned Annually					
up to 4%	0	0	5	0	0
Up to 6%	0	1	3	6	10
up to 8%	0	2	3	5	4
up to 12%	0	0	3	7	12
Above 12%	0	0	0	5	4

Hypothesis considered for testing purpose:

H0 – There is no relationship between Self-analysis of Investment and Interest earned annually

H1 – There is relationship between self-analysis of Investment and Interest earned annually.

	Self-analysis and Study about Investment	Interest earned
Self-analysis and Study about Investment	1	0.246711966
Interest earned	0.246711966	1

As seen in the table “r” value is 0.246711966. That states there is positive correlation between Self-analysis of Investment and Interest earned annually.

However in order to understand level of significance, ‘P’ value is calculated.

	df	SS	MS	F	Significance F
Regression	1	3.321588	3.321588	4.407194	0.039502
Residual	68	51.24984	0.753674		
Total	69	54.57143			

RESULT

The “P” value was 0.039502, which is much lower than 0.05, HO1 is rejected and H1 is Accepted. Thus the result shows that there is relationship between Self Analysis of Investment and Interest earned by Investor.

FINDINGS

This report was prepared to understand the various types of Investment options available in market and at the same time Investor’s attitude while investing, wherein the survey was based on demographic and Psychographic factors to understand various factors those influence the Investment decisions. And the findings that we can state are as follows:-

- Along with various conventional Investment options available almost 67% people are preferring to Invest in Mutual Funds followed by Bank deposits.
- Though Insurance sector is emerging as Good investment option available in market most of people are still preferring Public Insurance Companies over the Private one. This reflects that people consider Public companies more secured.
- We can observe that people give utmost Importance to the credibility of company while investing and this response highlights the importance of Brand Image created by company along with its performance.
- Also, though while investing, maximum people are preferring to take expert advice there is increasing awareness about the market and new investors are also giving importance to Self-Analysis before Investing.
- Along with these factors there are various other factors like Company’s performance in stock market, Liquidity feature offered by company and also the lock in period which investors take into consideration while investing.
- Through Correlation and Hypothesis testing we have found that there is no relationship between Age of an Investor and the Risk Taking attitude he she possess. Both the factors are insignificant to each other.

CONCLUSION

The projects aim to understand various Investment options available in market and simultaneously try to analyse various Demographic and Psychographic factors that influence the decisions of Investors while investing in any instrument. There are various new Investment schemes which are introduced in market to cater the changing needs of people, with various companies offering lucrative investment offers there is constant competitive pressure to attract investors which has led to growth of this sector. There is increase in spending capacity of people and at the same time there is rise in inflation, Uncertain natural calamities and unforeseen events like Covid Pandemic which has made people realise the importance of Investments and savings, people are preferring investing in different investment options and creating diversified portfolio. Also it can be observed that people are becoming more inclined toward taking Calculated Risk based options as there is increase in awareness and literacy about the Investments.

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