AN ANALYSIS OF PREFERENCES OF PEOPLE TOWARD INVESTMENTS

Mr. Rishabh Katiyar, MBA (Banking and Finance), UID: 17MBF5086

Dr. Anil Kalotra, Associate Professor,

University School of Business, Chandigarh University.

ABSTRACT:

Bajaj Capital is one of the first companies in the financial sector to offer Wealth Management services with huge varieties of financial products, Henceforth the study was conducted in Bajaj Capital, and the investors of organization were taken as the population. The study is conducted in Delhi, and the focus of study was to find out the investors perception and preferences about investments. The study was well planned and an appropriate methodology was used to carry the study. The objective of study was formed after intensive literature review. Data was taken with the help of structured questionnaires; those were induced to respondents after pretesting. The results revealed that majority of investors invests in traditional methods of investment like banks fixed deposits, recurring deposits, and real estate, and people are afraid of investing in stock markets. Investors don’t trust share markets and take out their money when market goes low.

Key words: financial, investors, perception, preferences, questionnaire, deposits.

INTRODUCTION:

There are various types of investment avenues available in the market such as shares, debentures, mutual funds, bank deposits, life insurance, precious metal, public provident fund, post office saving schemes and many more. Some investment avenues are risky and some are risk free. The investors prefer to invest in particular Investment Avenue according to their need, risk bearing capacity and expected return. When the investors want high return they have to choose the investment avenue that is risky. Compared to females, males prefer to invest in investment avenues that are risky. The people with less education prefer to invest in risk free investment avenues. The unmarried people prefer to invest in investment avenues where high risk is involved. Investment is one of the major issues of the middle class families as their small savings of today are to meet the expenses for the future. Investment refers to the commitment of funds at present, in anticipation of some positive rate of return in future. Today the horizon of investment is certainly wide. An investor is confronted with an array of investment avenues as mentioned earlier. The income earned by an individual is partly spent and the rest is saved for meeting future expenses. Instead of keeping the savings idle people may like to use their savings to get returns on it in the future, which is known as 'investment'. A Portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal. National Council of Applied Economic Research (NCEA) (1961) ‘Urban Saving survey’ noticed that irrespective of occupation, educational qualifications and age attained, households at every level think that saving for the future was desirable. It was found that, desire to make provision for emergencies were a very important motive for saving for old age.

LITERATURE REVIEW:

Langer (1975) in his opinion based on the research on individual investors finds that self reported risk tolerance does the best job of explaining differences in both portfolio diversification and portfolio turnover across individual investors.

Barnewall (1987) finds that an individual investor can be found by lifestyle characteristics, risk aversion, control orientation and occupation.

Warren et al. (1990) and Rajarajan (2000) predict individual investment choices (e.g., stocks, bonds, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behavior.

Bajtelsmit and Van Derhei, (1996) finds that the different genders have psychological difference in making investment decisions, female are often more conservative than male and female are not keen on making risky investment decisions. Women often make safe decisions rather than run risks even when they are given reasonable advice or they think that they can get higher return if they take risks. Besides, male often trade much more than female. They discovered that women always make a more cautious decision than men do because of the risk-avoiding psychology.

Vickie L. Bajtelsmit, Alexandra Bernasek (1996), elucidates that researchers in many diverse fields have attempted to provide explanations for observed gender differences. It is difficult to definitively answer this question since researchers can only observe the outcomes of decisions rather than the decision-making processes themselves. Gender differences in investing and risk-taking can be attributed to many possible causes but, ultimately, it can be shown that all the explanations have their root in discrimination and/or differences in individual preferences.

Lori L. Embrey and Jonathan J. Fox(1997) emphasizes that Investment advisors may feel overly challenged by the need to convince risk averse investors that their long term financial interest is protected by choosing more volatile investments. In light of recent studies which find women to be more risk averse, advisors may be reluctant to place a single woman's assets in higher risk investment instruments. This study could dispel some of these concerns, as it has been shown that single men and women generally use the same decision-making process when it comes to investing.

Karthikeyan (2001), has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE), and concluded that the level of awareness among investors in the old age group was higher than in those of young age group.

Barber and Odean (2001), analyses that men are inclined to feel more competent than women do in financial matters. Indeed, casual observation reveals that men are disproportionately represented in the financial industry. We expect, therefore, that men will generally be more overconfident about their ability to make financial decisions than women.

Julie R. Agnew and Either (2003), opines that there is evidence that women are more risk averse than men in general and this translates to investing in less risky assets in their investment plans. Differences in financial literacy between men and women may also explain differences in their investment decisions. There is some research on individual investors for e.g. **Langer (1975)** finds that self-reported risk tolerance does the best job of explaining differences in both portfolio diversification and portfolio turnover across individual investors.

OBJECTIVES OF RESEARCH PAPER:

To study & analyze people preferences and pattern regarding investments.

BENEFITS OF STUDY:

The study is quite beneficial for investors because its findings will help investors to understand the following, which will help them to invest smartly and reap the benefits

- Various areas & techniques of investment.
- How to invest smartly.
- Best time to invest & when to wait.
- How to get more return with less risk.
- Large cap, mid cap, & small cap firms.
- How to find & select best funds.
- Difference between saving account & liquid funds.
- Power of compounding interest.

RESEARCH METHODOLOGY:

Area of study: Chandigarh: Research was carried in Chandigarh due to the easy approachability for researcher.

Organization selected for research: Bajaj Capital

Bajaj Capital is one of the first companies in the financial sector to offer Wealth Management services with huge varieties of financial products, Henceforth the study was conducted in Bajaj Capital, and the investors of organization were taken as the population.

Sampling unit: Every investor of Bajaj capital is the sampling unit

Sampling Design: Descriptive:

The research design is descriptive in nature; Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way.

Sample size: 100

Sampling technique used: Convenience sampling:

Respondents were the clients of Bajaj capital those were approached after taking a lead from the company

Type of data used: Primary: The research is based on primary data

Data Collection tools: Questionnaire:

Statistical tools used: Frequency analysis , graphs and charts

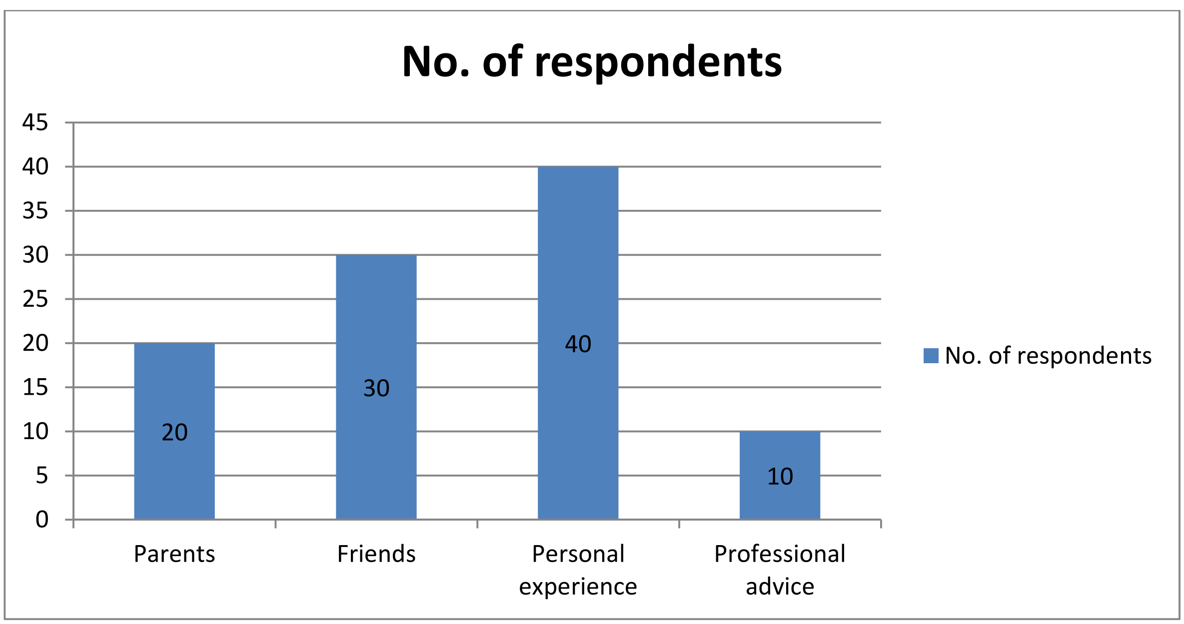
DATA ANALYSIS:

1. Rank your most influential to least influential source of advice when you are making a financial decision.

a. Parents b.Friends

c. Personal Experience d. Professional advisor

Source	No. of respondents
Parents	20
Friends	30
Personal experience	40
Professional advice	10

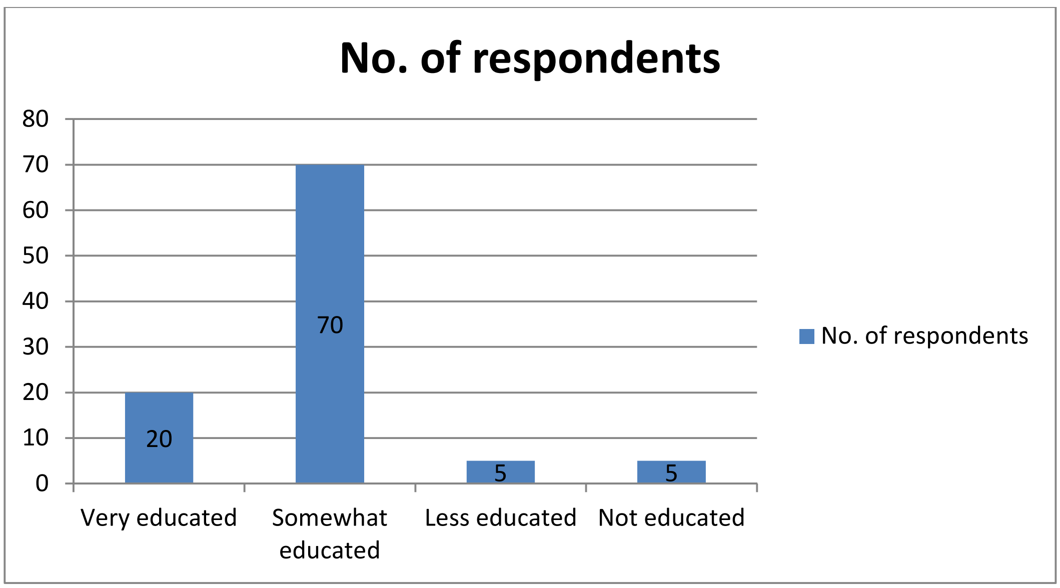


2. How much are you educated when we talk about investment?

a. Very educated b.Somewhat educated

c. Less educated d. Not educated at all

Level of education regarding investment	No. of respondents
Very educated	20
Somewhat educated	70
Less educated	5
Not educated	5

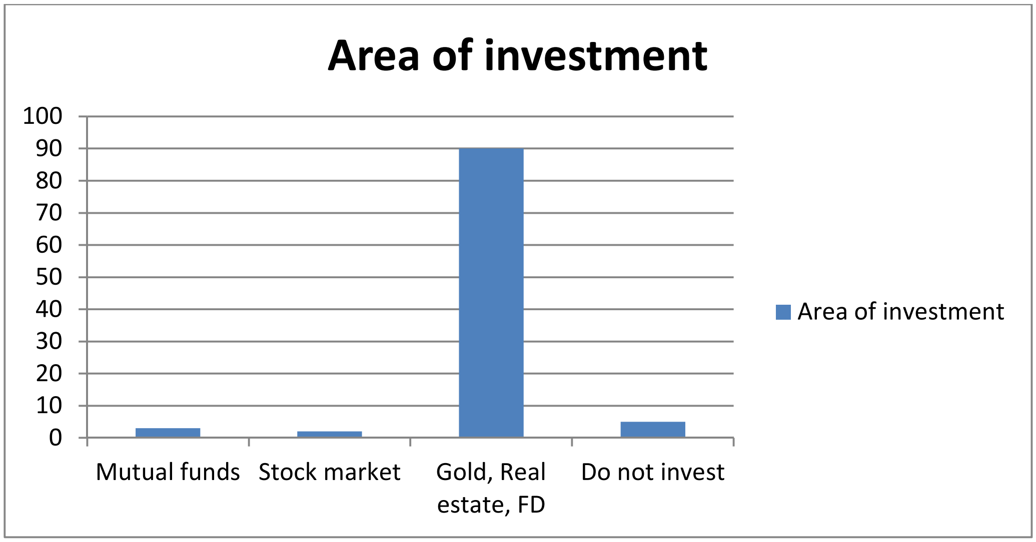


3. Which is your favorite area of investing?

a. mutual fund b. Stock Market

c. Gold, real estate, FD etc d. Do not invest

Area of investment	No. of respondents
Mutual funds	3
Stock market	2
Gold, Real estate, FD	90
Do not invest	5

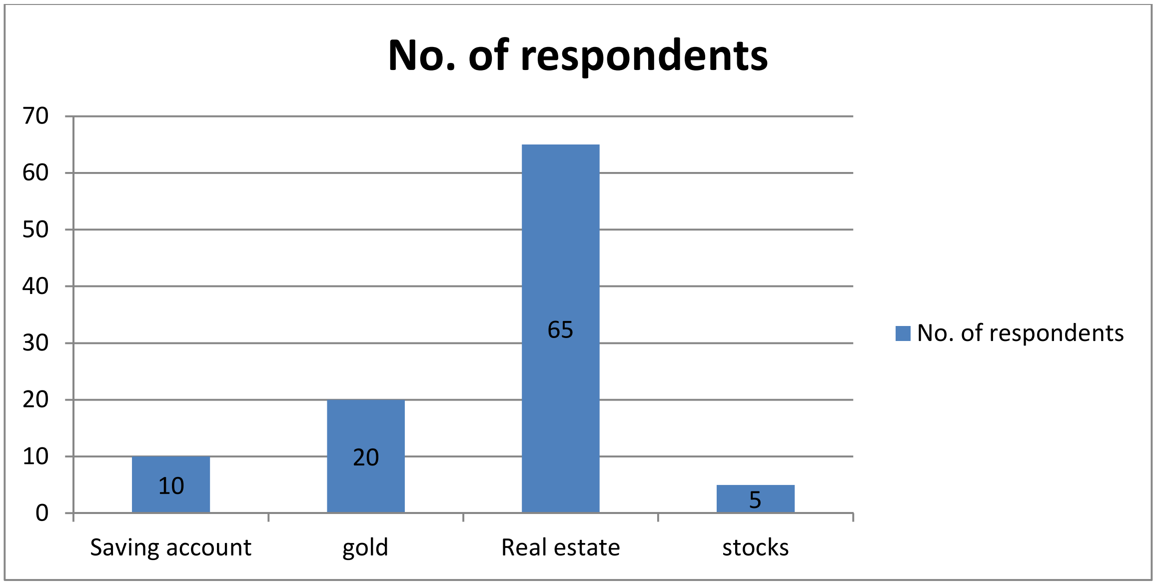


9. For long term period which asset will give you highest return?

a. Saving account b.Gold

c. Real estate d.Stocks

For long term period which asset will give highest return	No. of respondents
Saving account	10
gold	20
Real estate	65
stocks	5

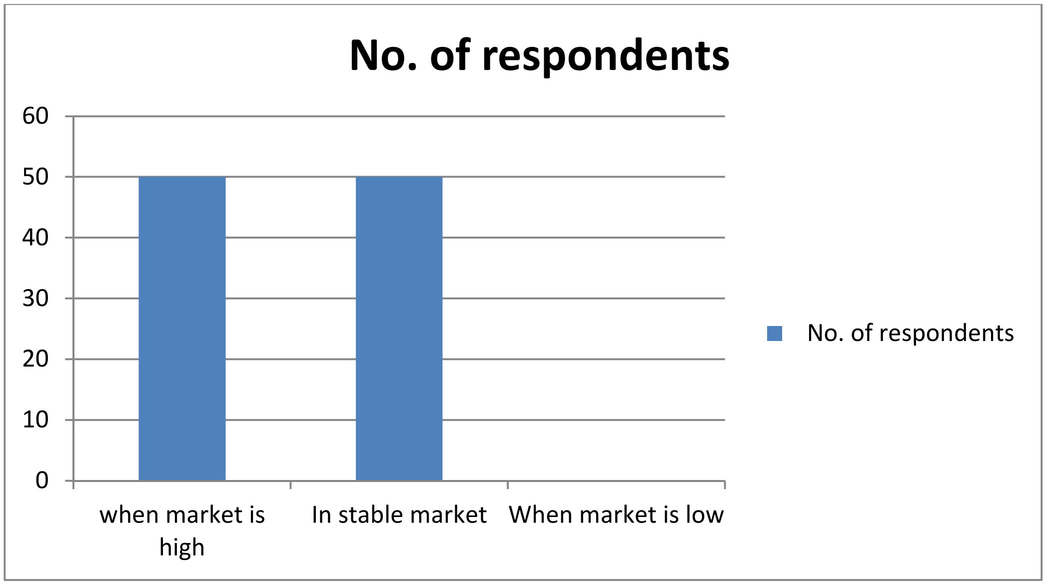


10. When would you invest more?

a. When market is high b.In stable market

c. When market is low

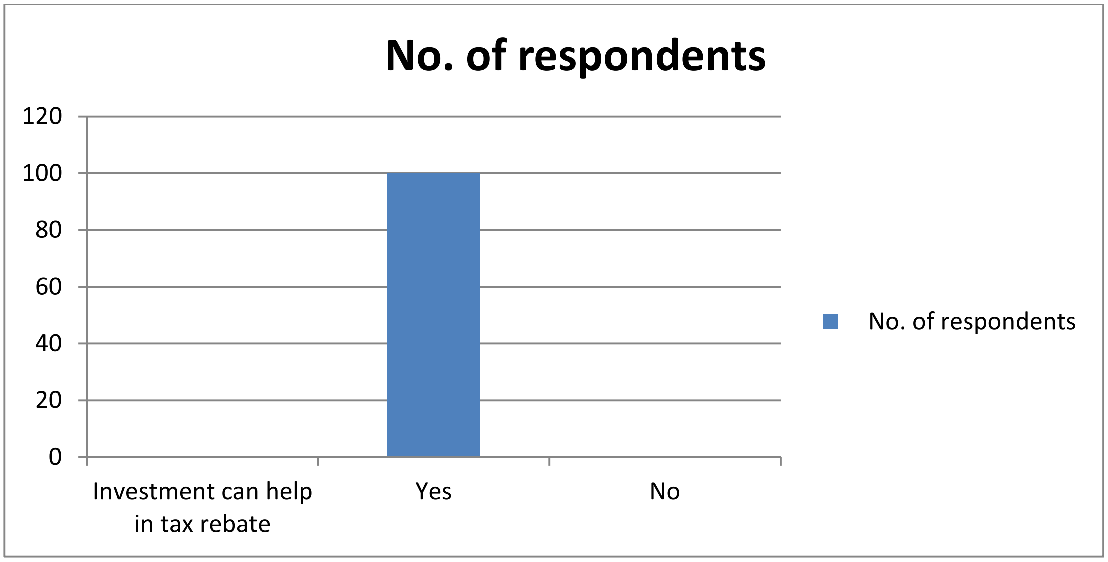
When you invest more	No. of respondents
when market is high	50
In stable market	50
When market is low	0



8. Do you think investment can help in tax rebate?

a. Yes ☐ b. No ☐

Statement	No. of respondents	
	Yes	No
Investment can help in tax rebate	100	0



Findings, conclusions and recommendations:

1.Data analysis revealed that investors are more dependent on their parents, friends and personal experiences for investment which is not a right way to invest and may lead to a loss to investor, therefore investor must be educated to take professional advice so that his/her investment don't sinks and instead it grows.

2. Data analysis revealed that investor is not fully educated regarding investment hence there is a need to come up with a system which educate investor regarding when, how and where to invest.

3. Data analysis concluded that investors are only investing in traditional methods of investment like gold, real estate and fixed deposits. Henceforth there is a need to educate and make investor more aware about investing in other investments like mutual funds, and stock market.

4. Data analysis shows that investors don't want to take a risk and want to invest only when market is bullish. Henceforth there is a need to educate the investors regarding investing when market is low.

5. All investors were aware that investment leads in saving tax

References:

1. Vennila R. Nandhagopal Investors' Preference towards Mutual Funds in Coimbatore City, European Journal of Social Sciences ISSN 1450 -2267, 2012; 29(1):115 -125 .

2. Atmaramani KN. Mutual Funds: The Best Avenue for Investment, Chartered Secretary. 2001; 31(1): 9 -11 .

3. Binod Kumar Singh "A Study on Investors' Attitude towards Mutual Funds as an Investment Option.Journal of Asian Business Strategy. 12011; (2): 8 -15.

4. Das SK; Semi Urban Investors Attitude and Perferences in Mutual Fund Investment: A case study of Nagaon Districts of Assam. International Journal of Marketing, Financial Services & Management Research, 2012;1(9):70 -91.

5. KavithaRanganathan, Madurai KamarajUniversity A Study of Fund Selection Behaviour of Individual Investors Towards Mutual Funds - with Reference to Mumbai City, Indian Institute of Capital Markets 9th Capital Markets Conference Paper. 2006.

6. Raja Rajan Stages in life cycle and investment pattern, The Indian Journal of Commerce, 1998; 51(2, 3):27 -36 . 7. Rathnamani V; Investor‟s Preferences towards Mutual Fund Industry in Trichy. Journal of Business and Management. 2013; 6(6):48 -55.

8. Singh YP, Vanita "Mutual Fund Investors' Perceptions and Preferences -A Survey", the Indian Journal of Commerce.2002; 55(3): 8 -20.

9. Saini S, Anjum B, Saini R; Investors‟ awareness and perception about Mutual Funds. ZenithInternational Journal of Multidisciplinary Research, 2011;1(1):14 -29.

10. Singh BK, Jha AK. "An empirical study on awareness & acceptability of mutual fund", Regional Students Conference, ICWAI, 2009; 49 -55.

11. Subramanya PR, Renukamurthy "investors attitude towards mutual fund" IJMBS.2013; l3(1)57 -59 .

12. Vidya Shankar S, "Mutual Funds - Emerging Trends in India", Chartered Secretary, 1990; 20(8):639 -640.

13. http://www.moneycontrol.com/mutual -funds/best - funds/index.html

14. www.amfi.com

15. www.mutualfindresearchonline.com

16. Amfi (2016) website

17. Rbi (2016) Website