"An analysis of investor's perception towards different financial avenues in the city: Delhi and Jaipur."

1. Jigyasa Luthra, 2. Harshit Sharma, 3. Dr. Rajkumar S

1.Research Scholar, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research center, University of Mysore. Mail ID: jigyasa26blr@xime.org

2.Research Scholar, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research center, University of Mysore. E-Mail ID: harshit26blr@xime.org

3.Research Supervisor, Assistant Professor, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research center, University of Mysore. E-Mail ID: rajkumar@xime.org

ABSTRACT

Purpose – The aim of this research paper is to study priorities of investor in reference to different investment avenues.

Methodology – Descriptive and cross-sectional research procedure has been used in the study. "Non-probabilistic convenient sampling technique" has been used and the respondents are daily life investors. Questionnaire is proposed in "Delhi and Jaipur, India". Data analysis is done using "SPSS and factor analysis, Chi-square test."

Findings –Findings shows that neither occupation nor age group has any significant relationship with the preferred investment avenue.

Research limitations: The research is limited to a sub-urban area of Delhi and Jaipur. The scope of study can be further increased by collecting more samples from different part of the country.

Keywords: Investment, Investment avenues, mutual fund investments, equity, age, occupancy, liquidity, risk factors, previous investments, investment pattern, etc.

Paper type: Research paper

Introduction

In this paper we want to study about the financial products, which majorly constitutes of investment in mutual funds and investors' behavior in regards to the investment decision. It is really important to understand the role of capital market in an economy and the major part of the capital market is played by the financial products. The study shows various investment avenues available in India and majorly focuses on a particular investment option which is Mutual Funds.

1.1 Mutual Funds

Mutual Fund refers to an institutional setup which pools the savings of various people for investment purpose. The institution makes the investments on behalf of the investors and distributes the return on the basis of units held by the investors. In the next part the risks associated to mutual funds are discussed. These risks depend upon the micro and macro-economic conditions prevailing in the market.

One of the upcoming branches of finance is the behavioral finance. Finance has been there for thousands of years and also many studies have been done but, in this era, behavioral finance is a new area which can be studied. Behavioral finance studies the behavior of people in regards to their financial decisions. Various errors that have an impact on the investment decision are also studied.

1.2 Banking, Financial Services and Insurance sector

The industry profile and the company profile are further discussed in the study, which include the Introduction of Banking, Financial Services and Insurance sector (BFSI Sector) and the introduction about John Bros Financial Services and the services provided by them. Also, after that the theoretical framework is done, which includes the review/ summary of the research papers, journals, articles, etc. related to the topic of the research.

The exploratory and descriptive research methods are used in the study and the data is collected by both the types of sources i.e., primary source (questionnaire) and through secondary source (websites, newspapers, journals, etc.). The objective is to understand the investment preference of the people and the perception of mutual fund investors.

1.3 Capital Markets

Capital markets have been the center stage of the Indian Financial System for over a decade now and they have created a massive impact on the financial and economic condition of the country. Capital market in India has also experienced a significant increment in institutional setup and progress. Institutions are developed in the form of a varied structure of mutual funds.

Literature Review

Kavita Chavali et al in (2016) studied "the impact of Demographic Variables and Risk Tolerance on Investment Decisions": The Analysis has stated that Gender is the only demographic variable which impacted investment patterns. Chi-square test is used in the study to prove that occupation and age of sample population impacted the risk tolerance & the samples' perception of risk. The paper also proves that there is an influence of family and friends on investment decisions.

Luminița Nicolescu et al in (2020) studied the "Investment behaviour in mutual funds: is it a knowledge-based decision?" The study was held in "Romania, Slovakia and Hungary". The time duration of study was majorly the global-economic crisis happened in 2007-2008. The study states that decision of investment is partially knowledge-oriented, as investors of the study region counts only little available information while taking investment decisions.

Inderjit Kaur in (2018) studied the "Mutual fund investor's behaviour towards information search and selection criteria: Do knowledge and perception about mutual funds matter?" "The study shows that perception and knowledge can have an affect on investor's behavior towards selection preferences while decision making. It has also been showed that investors with knowledge in mutual funds prefer distant sources of information and execution results of fund affects their judgment, whereas those investors who have lesser knowledge of mutual fund seek advice of professionals and choose funds on the basis of properties. Investors with greater pay back insights for funds mostly ignore performance as a norm for choice, whereas investors with poor insights of risk tend to eliminate their biases by seeking personal medium of information.

Ann-Ngoc Nguyen et al in (2018) studied mutual fund performance and Investor confidence in developing markets: Insights from Pakistan and India: The study finds that the mutual funds returns links positively with investor sureness and communication result co-exist between investor confidence and consistency in performance.

Dr Basil John Thomas in (2019) presented about Product Performance Satisfaction Level of Mutual Fund Investors: The study reveals that fulfilment level of the mutual fund stakeholders with esteem to the funds chosen by them is not consistent among the sample population and concluded that there is a significant variation in the performance fulfilment level of mutual fund investors with esteem to the choice of funds they make. (exception balanced-fund).

Rajesh Trivedi et al in (2017) did a study on "Investor's Perception Towards Mutual Fund Decision: An Indian Perspective": The study focuses on understanding the investor's perception due to the impact of variables like "Risk, Return factor, Liquidity factor, Consistency factor and Awareness factor". The study shows that funds with lower risk entice the investors in mutual fund plans. Study shows that men are more inclined towards mutual funds than women. The study also shows that elderly people and students has less information in reference to mutual fund schemes. The investors usually consider the liquidity of fund plans and considers it as a crucial factor.

M.Samiraa et al (2020) conducted a study on NRI investor's inclination towards SIP based mutual fund investment with during COVID-19 period: The study tries to explain the variables like literacy and pandemic situation has an impact on investments. The study further reveal that the financial literacy in Kerala is less, as only 44% of the questions are correctly answered by a middle aged youth. The study also reveals that gender, age, marital status, education, religion, occupation, income, work experience, influence financial literacy. It was observed that sample population tend to overrate their financial literacy by around 50%, stating their over-confidence in the knowledge they show in personal finance.

Inderjit Kaur in (2018) studied "the effect of mutual funds characteristics on their performance and trading strategy: A dynamic panel approach": The study tries to explain the impact of characteristics: "Past performance, expense ratio, size, portfolio turnover ratio and cash or liquidity ratio". Mutual funds promote a lot about their previous years accomplishment but provides a clause along that "past performance cannot be guaranteed". The abundance of options in mutual funds, depositors seek reasons to choose mutual funds.

Pankaj K Agarwal et al in (2018) studied that "Mutual fund performance in changing economic conditions: Evidence from an emerging economy": The study shows that previously used approaches of valuation of mutual fund performance (alpha) are typically based on CAPM which presumes fixed sensitivity of risk exposure of fund to the market proxy (beta). But, fluctuating economic situation bring changes in this relationship.

Shashi Bhushan Mishra et al in (2019) studied "Behavioral Finance: Investment Patterns of Financially Literate People in Indore City" This study tries to understand Investment awareness on the basis of parameters like gender, Income level and also seek to understand the influence of factors like Liquidity, returns, safety and tax savings while selecting Investment options. It was considered that people in Indore city are much more aware about investment accessible to them but at the same time investors considers to options like savings in banks as fixed deposits or other term deposits, mutual funds and other insurance schemes.

Ms. Yuvika Singh et al in (2018) did "A study of Investment Pattern & Gender Difference in Investment Behaviour of the Residents- An Empirical Study in and Around Mohali": The study seek to explain the impact of factors like Stock market, Govt. Policies, Fluctuations in price of gold, age, gender, Level of income, qualification, etc. on investment choices. Individuals typically invest for a long period in fixed deposits and on conventional investments. People tend to invest their salary from 15 percent to 30 percentage. "There are 22.5 percent people who does not have a formal budget planned for future". People mostly invest for short period. Mainstream invest in public sector. "People invest in low risk investment". Residents who does not have proper budget are mostly students. Females are less concerned than Males in financial savings.

Dr.K.Uma et al in (2015) conducted "A study on awareness about the investment pattern among the working women in Virudhnagar district". The study seeks to understand the investment pattern of working women on the basis of Income, gender, occupation, age, the risk covering nature and education of working women. The study has made an attempt to study knowledge level of the working women about the investment pattern of the working women in Virudhunagar District. It was shown that in- depth knowledge was lacking in the comparing the different investment avenues. The working women seek huge guidance in the area as they are not well versed in selecting the among the investment options for framing a particular investment pattern. They also gave their opinion about improvement in investment pattern.

Ganga Bhavani et al (2017) studied "Impact of Demographics and Perceptions of Investors on Investment Avenues" The study attempts to study the perception of investment avenues and the impact of demographics on investment. The study seem to benefit consultants and financial advisor. Understanding how an investment choice is affected by the perceptions and demographic variables and further benefits the financial advisors to advise their customers better. The customers also appreciates if they are given relevant advice.

Fatima Akhtar et al in (2020) studied "Investor personality and investment performance: from the perspective of psychological traits" study depicts that individual personality traits of sample population of depositors are related with their FRT, financial overoptimism and apparent asset performance. In add-on, financial overconfidence and FRT are adversely correlated to apparent asset performance.

Sanket L.Charkha et al in (2018) conducted "A Study Of Saving And Investment Pattern of Salaried Class People with Special Reference To Pune City (India)" explains that investors are well aware about speculation options that are available in the Pune city, India still the investors prefer to devote their money in form of bank security and real land. The information analysis and further research discloses that the protection is regarded as a crucial factor while investing, thus remaining investment options remain found less significant when investors invest.

K.P. Kaushik et al in (2016) conducted "A study on Determinants of investment behavior of investors towards mutual funds" reveals better awareness among the investors linked to different aspects of mutual funds which tend to have an encouraging effect on mutual funds investment. There is no effect on the investment choice among the investors related to mutual funds due to risk perception. Furthermore, socioeconomic qualities such as gender, age, pay, education and occupation of investors had an influence on the perception levels noticed among the investors about mutual funds.

Gauri Prabhu et al in (2014) conducted a study on "Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds" conducted explained that the majority of the sample population savers were mindful of the different processes of mutual funds available. Study further depicts that mutual fund investors predominantly belong to the age grouping between 19 years to 55 years and fall down in the income group of Rs 30,000 to Rs 70,000 and beyond. Tax Benefits and Range Diversification are the key factors that induce investors to invest in mutual funds. It is also proved that most of the investors are aware of MIP Funds and prefer investing in MIP fund because of stable returns provided by funds.

Madan Singh Panwar et al in (2018) conducted a study on investment choices available in the modern age shows the different investment avenues available in India, conveys that investment in share market should be popularized more, savings should be pooled and invested in the most productive investments avenues. It further shows that there are many investment options and schemes available in the market which must be reach to the investors which also motivates them for saving and investment. Investors himself usually identify and select the best alternative with respect to their needs after analysing the pros and cons of different investment avenues existing in the market. Lastly, different programs can also be organized to increase the awareness level and educate the investors about the different investment avenues available in the market.

Dr. Nishi Sharma in (2012) conducted a study on "Indian Investor's Perception towards Mutual Funds" showing the extent to which investors feel satisfied (with respect to the various assistances offered by mutual fund companies to entice people to invest in mutual funds) and to recognize factors that are important for fortifying investor's penetration. The study conducted also found that all the benefits which arise from the investment in mutual fund may be categorized into three parts. The first part explains the fund related characteristics. The second part is related to the monetary assistances provided by fund in the form of liquidity, ROI (return on investment), early bird incentives, capital appreciation, fringe benefits and relaxation in charges (expense ratio, entry load and exit load). The last segment provides with the sponsor related attributes. This part includes sponsor's reputation, expertise of sponsor, timeliness in service and retaliation of customer grievances. The study found that in order to gain the confidence of Indian investors, mutual fund companies are expected to provide full disclosure of information and update regularly about the related information with the declaration of safety to the investors and monetary assistances.

Arathy B et al in (2018) conducted a study on "Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors" which showed that mutual funds appeared as one of the most significant financial avenues which cater to the demands of it's investors. The biggest factors that determine the investment decision-making of the investors were high returns, benefits in tax, price and capital appreciation. Moreover, schemes based on equity are preferred the most in the market. Lastly, bad past experience with the investments is the major factor preventing people from considering different investment decisions.

Research Gap

We would like to assess the perception-reality gap among the different financial avenues available in India

Research Objective

- To find medium of investment preferred by investor.
- To study priorities of investor in reference to different investment avenues.
- To study investment medium preferred by investor.
- To study the relationship between various demographic variables (Occupation and age) and the financial decision making and investment patterns.

Hypothesis

Hypothesis 1 = There is no association between age and investment decision in different financial avenues."

Hypothesis 2 = There is no association between occupation and investment decision in different financial avenue.

Research Methodology

3.1 Research approach: - Survey approach is adopted in the study.

Research Design: - Descriptive research is preferred as Descriptive research includes surveys.

3.2 Research instrument: - Questionnaire has been adopted as the research instrument. The questionnaire has two categories of questions i.e. "open end and close end questions".

3.3 Data Source: - Primary data has been used in the study. Data is collected via survey of structured questionnaire.

3.4 Sampling Area: - Delhi and Jaipur

3.5 Sample Size: - The sample size of the study is limited to 120 investors.

3.6 Sampling Procedure: - Descriptive and cross-sectional research procedure has been used in the study. "Non-probabilistic convenient sampling technique" has been used and the respondents are daily life investors. Questionnaire is proposed in "Delhi and Jaipur, India". Data analysis is done using "SPSS and factor analysis, Chi-square test."

Data Analysis

Data Analysis is done using SPSS software and is done in 2 parts. First part looks at the demographic variables and compares it with the type of investment preference made by the people, at the same time testing the primary hypothesis. Second part deals with the various aspects and dimensions considered while making an investment decision and analysis for the same.

Case Processing Summary

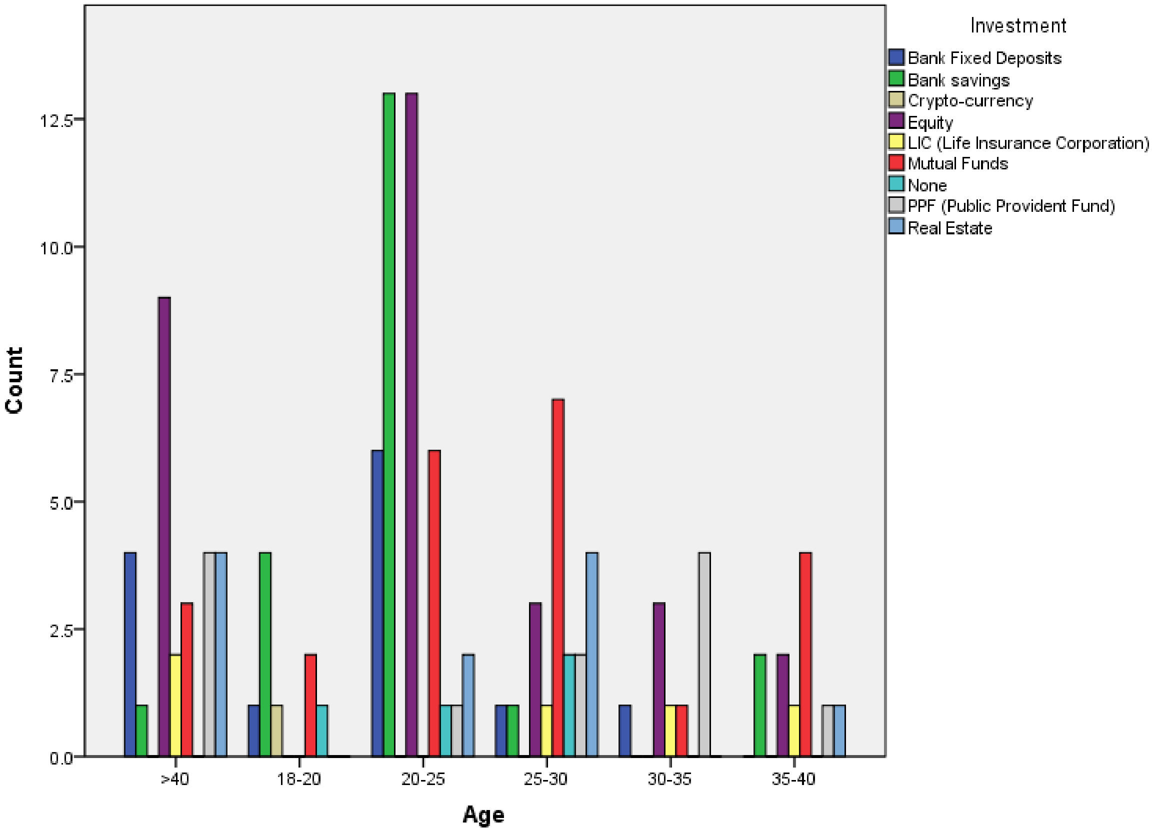
	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Age * Investment avenue	120	100.0%	0	0.0%	120	100.0%

Age * Investment avenue Crosstabulation

Count

		Investment avenue									Total
		Bank Fixed Deposits	Bank savings	Crypto-currency	Equity	LIC (Life Insurance Corporation)	Mutual Funds	None	PPF (Public Provident Fund)	Real Estate	
Age	>40	4	1	0	9	2	3	0	4	4	27
	18-20	1	4	1	0	0	2	1	0	0	9
	20-25	6	13	0	13	0	6	1	1	2	42
	25-30	1	1	0	3	1	7	2	2	4	21
	30-35	1	0	0	3	1	1	0	4	0	10
	35-40	0	2	0	2	1	4	0	1	1	11
Total		13	21	1	30	5	23	4	12	11	120

The above table shows the crosstabulation of the different age groups and the investment avenues preferred by them while making investment. It can be seen clearly from the data that people in the age group of 20-25 majorly invest in high-risk avenues like equity and low-risk avenues like bank savings while people below the age of 20 mostly prefer investment in bank savings. Majority of the people above the age of 40 prefer investing in low-risk avenues like Fixed deposits and PPF while some prefer investing in high-risk avenues like equity.



The following graph further shows that majority of the people in the gage group of 20-25 prefer investing in bank savings and equity while majority of the people in the age group of 25-30 and 35-40 prefer mutual funds investment, while people above the age group of 40 majorly prefer investing in equity, fixed deposits, PPF and real estate.

4.1 Regression

Between different age groups and preferred investment avenue.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.122[a]	.015	.007	2.491

a. Predictors: (Constant), Age

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.080	1	11.080	1.786	.184[b]
	Residual	732.120	118	6.204		
	Total	743.200	119			

a. Dependent Variable: Investment avenue

b. Predictors: (Constant), Age

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Co-efficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	4.081	.516		7.903	.000	3.058	5.103
Age	.200	.150	.122	1.336	.184	-.097	.497

a. Dependent Variable: Investment avenue

Regression analysis proves that there is no significant association between age groups and investment avenues preferred by them, as the R square is .015 and which is close to zero and significance level is more than 0.05 proves there is no significant relationship between age and investment avenue preferred, hence, we accept the null hypothesis.

Between different occupations and preferred investment avenue -

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.171[a]	.029	.021	2.473

a. Predictors: (Constant), Occupation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.702	1	21.702	3.549	.062[b]
	Residual	721.498	118	6.114		
	Total	743.200	119			

a. Dependent Variable: Investment avenue

b. Predictors: (Constant), Occupation

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Co-efficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	5.584	.521		10.724	.000	4.553	6.615
Occupation	-.162	.086	-.171	-1.884	.062	-.332	.008

a. Dependent Variable: Investment avenue

Regression analysis proves that there is no significant association between different occupations and investment avenues preferred by them, as the R square is .029 and which is very weak and significance level is more than 0.05 proves there is no significant relationship between occupation and investment avenue preferred, hence, we accept the null hypothesis.

Age * Risk bearing capacity Crosstabulation

			Risk bearing capacity					Total
			Average	High	Low	Very high	Very low	
Age	>40	Count	13	0	5	2	7	27
		Expected Count	11.9	1.4	5.4	1.6	6.8	27.0
	18-20	Count	3	1	2	0	3	9
		Expected Count	4.0	.5	1.8	.5	2.3	9.0
	20-25	Count	17	2	13	2	8	42
		Expected Count	18.6	2.1	8.4	2.5	10.5	42.0
	25-30	Count	10	1	2	2	6	21
		Expected Count	9.3	1.1	4.2	1.2	5.3	21.0
	30-35	Count	4	1	1	1	3	10
		Expected Count	4.4	.5	2.0	.6	2.5	10.0
	35-40	Count	6	1	1	0	3	11
		Expected Count	4.9	.6	2.2	.6	2.8	11.0
Total		Count	53	6	24	7	30	120
		Expected Count	53.0	6.0	24.0	7.0	30.0	120.0

The above table clearly shows that the risk bearing capacity among the people of Jaipur and Delhi lies majorly between Average and Low. While the people with age group of more than 40 years have better financial stability and most of them lie in the average category while youngster of the age between 20-25 majorly have low risk bearing capacity.

4.2 Crosstabs

Age * How much income invested Crosstabulation

Count

		How much income invested				Total
		10-20%	20-30%	Less than 10%	More than 30%	
Agee	>40	13	9	4	1	27
	18-20	0	1	7	1	9
	20-25	8	5	25	4	42
	25-30	10	1	10	0	21
	30-35	4	1	4	1	10
	35-40	6	1	4	0	11
Total		41	18	54	7	120

Chi-Square Tests

	Value	df	Asim. Sig. (2-sided)
Pearson Chi-Square	31.917[a]	15	.007
Likelihood Ratio	37.061	15	.001
N of Valid Cases	120		

a. 17 cells (70.8%) have expected count less than 5. The minimum expected count is .53.

The following table shows that people above the age group of 35 generally investing between 10-30% to their income in different financial avenues as they have more dispensable income available for them to invest while people between the age group of 18-25 prefer not to invest more than 10% of their income as most of them would be earning less or would not be earning.

Conclusion

Understanding the investment decisions and factors affecting the investment decision has been a topic of great interest among the financial agencies and researchers as well. The following research paper tried to analyze the effects of different demographic variables and external factors that influence people to invest in different financial avenues. Findings shows that neither occupation nor age group has any significant relationship with the preferred investment avenue. Further analysis proves that, people above the age of 40 years consider safety majorly while considering decision making about whether to invest or not, while younger generation between the age group of 20-25 prefer looking at the return on investment before making an investment decision. Further, crosstabs analysis shows that people of higher age tend to invest more in financial avenues because of their financial stability and people belonging to lower age group of 18-25 majorly invest not more than 10% of their income as they would tend to less financially stable and would invest less. Crosstabs shows that the risk bearing capacity among the people of Jaipur and Delhi lies majorly between Average and Low. While the people with age group of more than 40 years have better financial stability and most of them lie in the average category while youngster of the age between 20-25 majorly have low risk bearing capacity. Finally, coming to the different financial avenues preferred, Equity, Mutual funds and Bank savings are the most common way to channelize saving among the young generation and elder generations.

Recommendations:

- Information seminars should be held to make people aware of the different financial avenues around the country.
- As the sample is based on the city of Delhi and Jaipur and convenience-based sampling is adopted, this cannot show a true picture of what happens around the whole country and can have some effects of biasness.

References

1. Kavita Chavali (2016) - studied “the impact of Demographic Variables and Risk Tolerance on Investment Decisions”.
2. Luminița Nicolescu (2020) studied the “Investment behavior in mutual funds: is it a knowledge-based decision?”
3. Inderjit Kaur (2018) studied the “Mutual fund investor’s behaviour towards information search and selection criteria: Do knowledge and perception about mutual funds matter?”.
4. Ann-Ngoc Nguyen (2018) studied mutual fund performance and Investor confidence in developing

markets: Insights from Pakistan and India.

5. Dr Basil John Thomas (2019) presented about Product Performance Satisfaction Level of Mutual Fund Investors.
6. Rajesh Trivedi (2017) did a study on "Investor's Perception Towards Mutual Fund Decision: An Indian Perspective".
7. M.Samiraa (2020) conducted a study on NRI investor's inclination towards SIP based mutual fund investment with during COVID-19 period.
8. Inderjit Kaur (2018) studied "the effect of mutual funds characteristics on their performance and trading strategy: A dynamic panel approach".
9. Pankaj K Agarwal (2018) studied that "Mutual fund performance in changing economic conditions: Evidence from an emerging economy".
10. Shashi Bhushan Mishra (2019) studied "Behavioral Finance: Investment Patterns of Financially Literate People in Indore City".
11. Ms. Yuvika Singh (2018) did "A study of Investment Pattern & Gender Difference in Investment Behaviour of the Residents- An Empirical Study in and Around Mohali".
12. Dr.K.Uma (2015) conducted "A study on awareness about the investment pattern among the working women in Virudhnagar district".
13. Ganga Bhavani (2017) studied "Impact of Demographics and Perceptions of Investors on Investment Avenues".
14. Fatima Akhtar (2020) studied "Investor personality and investment performance: from the perspective of psychological traits".
15. Sanket L.Charkha (2018) conducted "A Study Of Saving And Investment Pattern of Salaried Class People with Special Reference To Pune City (India)".
16. K.P. Kaushik (2016) conducted "A study on Determinants of investment behavior of investors towards mutual funds".
17. Gauri Prabhu (2014) conducted a study on "Perception of Indian Investor towards investment in mutual funds with special reference to MIP Funds".
18. Madan Singh Panwar (2018) conducted "a study on investment choices available in the modern age shows the different investment avenues available in India".
19. Dr. Nishi Sharma (2012) conducted a study on "Indian Investor's Perception towards Mutual Funds".
20. Arathy B (2018) conducted a study on "Factors Affecting Investment on Mutual Funds and Its Preference of Retail Investors".
21. www.emerald.com
22. www.emeraldinsight.com
23. www.ijeam.com
24. www.ijmems.in

25. www.jkelip.com

26. www.mdpi.com

27. www.researchgate.net

28. www.ucdenver.edu