A Study on Investment behavior and preferences of retail Investors in Gurugram City

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ARTICLE DETAILS

ABSTRACT

This paper aims to find the behavior of individual investors of Gurugram city regarding their investment pattern among a number of investment avenues available in the Indian financial market. The major factors behind an investment are the safety of principal amount, liquidity, income stability, and appreciation. A variety of investment avenues are available such as fixed deposits, Government Securities, Corporate Bonds, Insurance policies, Real estates, Commodities, Shares and MFs, Gold and Post office schemes like KVP and NSC etc. All the investors invest their surplus money in the above mentioned avenues depending on their risk taking attitude. "No gain without pain" it is the golden principle of investment management. More risks lead to more profits. Investors cannot avoid risks but they can minimize the risk by investing their money in various forms of safe investments so that they can get a moderate profit.

1. Introduction

An investment is a sacrifice of current money or other resources for gaining benefits in future. Investment can be defined as the net addition to a nation's physical stock of capital and also to own funds. In the present financial market scenario numerous avenues of investment are available. The two key factors of any investment are time and risk. Investment is the employment of funds with an aim to get additional income or growth in value. The essential quality of an investment is that it involves waiting for a reward. In simple terms, investment means conversion of cash or money into a monetary asset, a claim on money for a future benefits or returns. Our economic well being in the long run depends significantly on how wisely or foolishly we invest. "Investing is simple, but not so easy". Investing is also difficult because we have to make a lot of decisions– differentiating between needs and wants. It also creates confusion because there are a lot of alternatives available in market and they all have their own pros and cons.

According to Benjamin Franklin "an investment is knowledge always pays the best interest".

There may be lot of reasons to invest money like leave a lasting legacy, Medical emergencies, financial independence, secure family future, Tax benefits and Capital growth etc.

Investment avenues: At present, a wide variety of investment avenues are open to the investors to suit their needs and nature. Knowledge about the different avenues enables the investors to choose investment intelligently. The required level of return and the risk tolerance level decide the choice of the investor. The investment alternatives range from high risk financial instruments like equity, mutual funds, property etc. to low risk financial instruments like debt, fixed deposits, KVP and NSC etc.

2. Literature Review

Bandgar P.K (1999) found that most of the investors do not know about safety of new issues of company shares, debentures and shares bought from stock exchanges and kind of risk and reward associated with these instruments. Abhijit Dutta (2000) observed that the individual retail investors have high confidence in themselves or many a times overconfident and are not guided by the market discounted asymmetric information.

Maruthupandian.P(2001) said that investors should remember that their active participation in the activities of the investor forum is a must. So that they can keep themselves updated regarding investment opportunities and information's. The Indian Household Investors Survey, (2004) suggested the fact that a developing economy like India needs a growing amount of household savings to flow to corporate enterprises to boost investment activities by corporate in return of high rewards.

Kirshnudu.Ch, B. Krishna Reddy and G. Rama Krishna Reddy(2005) have found that the Investors are mostly influenced by family members and peer groups while taking decisions on investment. Anchoring and herding have high impact on retail investors' decision making process. SunatanKhurana (2008) observed that protection is the main purpose for taking an insurance policy. Insurance and Investment are two different objectives and one should not mix insurance with investments.

Darshana.P (2008) revealed that the visual and print media and training programs will help to educate the investors about financial awareness which will help them to make well-informed decisions. Vikram.S (2008) found that major percentage of respondents have moderate knowledge and

have less exposure towards the financial market and they keep invested in money market instruments only.

3. Research objectives

- To know the decision making capabilities of investors.
- To find out the financial awareness among investors.
- To find out the purpose of investment of investors.

4. Research methodology

Research is based on the independent variables such as - age, income, qualification and dependent variables such as financial awareness.

5. Scope of problem

There are many investment alternatives available for investors in order to secure their savings. It is important to know whether these alternatives are used by them seriously as investment involves many crucial decisions which would affect the rate of return and also contributes to the economic development. This is a case study which deals with various investment alternatives in India with special reference to Gurugram city. Research statement in this paper is "A study of income and investment pattern of retail investors in Gurugram city "based on 80 respondents in Gurugram city". The study is confined to level of awareness about avenues while making their investment decisions and the main objectives behind their investment decisions.

6. Hypothesis

H0=There is no significance relationship between educational qualification and awareness among the investors.

H0=There is no significance relationship between the income level and awareness of investors.

7. Statistical tool

Following tools are used for presentation & analysis
Data presentation;

- Table
- percentages
- Data analysis;
- Chi-square test.

8. Data analysis:

Table: 1 Analysis of demographic factors of investors

STATUS	NO.OF RESPONDENTS	
INVESTORS	80	%
AGE		
25 to 35 years	54	67.5
36 to 45 years	22	27.5
46 to 60 years	4	5
QUALIFICATION		
Post – Graduation	38	47.5
Professional degree	14	17.5
Graduate	28	35
MARITAL STATUS		
Married	64	80
Unmarried	16	20

Divorced	0	0
INDUSTRY		
Government organization	10	12.5
Private organization	70	87.5
MONTHLY INCOME		
20,000 - 40,000	44	55
40,000 – 60,000	32	40
Above 60,000	4	5

Source-primary data

The above table shows that 80% of the respondents are married and the rest 20% are unmarried. When it comes to age, it is found that 54 investors 67.5% belong to the age group of up to 25-35 years. Hence it can be understand that young generation is higher in no. towards investment in their early life. Investors in the age group of 36-45 years are 22 in numbers constituting 27.5%. Investors in the age group of 46 to 60 years are 4 in numbers makes only 5% of the respondents. Among the total respondents 28 respondents that is 35% have graduation, 14 respondents 17.5% have professional degree, 38 respondents 47.5% are post-graduates. Out of total 87.5% of the investors are working in govt. or public sector and 12.5% of the investors are working in private sector. 55% respondents come in monthly income bracket of 20k- 40k while 40% comes in bracket of 41k -60k & rest above 60k covers 5% respondents.

Table: 2 Awareness about the investment avenues

Sr. no.	Financial Awareness	Size of respondents	Percentage (%)
1	YES	54	67.5
2	NO	26	32.5
Total		80	100

From the above table, we can conclude that out of 80 respondents 67.5% have the knowledge on various investment avenues and the remaining 32.5% of them have no knowledge about various investment avenues.

Testing hypothesis:

H0= There is no significant relationship between educational qualification and financial awareness of the investors.

Table: 3 OBSERVED FREQUENCY

Qualification	Financial Awareness	No awareness	Total
Post- graduation	34	4	38
Professional degree	12	2	14
Graduation	8	20	28
Total	54	26	80

Table: 4 CHI SQUARE TEST

O	E	(O-E)	(O-E)2	(O- E)2/E
34	25.65	8.35	69.72	2.71
4	12.35	-8.35	69.72	5.64
12	9.45	2.55	6.50	0.69
2	4.55	-2.55	6.50	1.42
8	18.90	-10.90	118.81	6.29
20	9.10	10.90	118.81	13.05
TOTAL				29.80

Degrees of Freedom V = (r - 1) (c - 1)
V = (3- 1) (2 - 1)
V = 2

2 degrees of freedom 5% level of significance is 5.991.The calculated value (29.80) is more than the table value. So hypothesis is rejected.

Hence it is concluded that, "There is a significant relationship between educational qualification and awareness of the investors"

Testing Hypothesis:

H0= There is a significant relationship between income level and awareness of the investors.

Table: 5 OBSERVED FREQUENCY

Sr. no.	Income level	Financial Awareness	No awareness	Total
1	20,000 -40,000	26	18	44
2	41,000 -60,000	24	8	32
3	Above 60,000	4	0	4
Total		54	26	80

Table: 6 CHI SQUARE TEST

O	E	(O-E)	(O-E)2	(O-E)2/E
26	29.70	-3.70	13.69	0.460
18	14.30	3.70	13.69	0.791
24	21.60	2.40	5.76	0.266
8	10.40	-2.40	5.76	0.546
4	2.70	1.30	1.69	0.625
0	1.30	-1.30	1.69	1.30
Total				3.988

Degrees of Freedom V = (r - 1) (c - 1)
V = (3 - 1) (2 - 1)
V = 2

2 degrees of freedom 5% level of significance is 5.991.The calculated value (3.988) is less than the table value. So hypothesis is accepted.

Hence it is observed that, "There is no significant relationship between income level and awareness of the investors"

Table: 7 Objectives of the Investments

Sr. no.	Objectives	No. of respondents	Percentage (%)
1	Education of children	22	27.5
2	Future security	32	40
3	Tax purpose	2	2.5
4	Earning profit	14	17.5
5	Marriage of children	10	12.5
Total		80	100

The objectives of the investment vary from one to another. Most of the investors 40% invest their savings for future security. The objective of earning profit and tax saving purpose followed by 17.55 and 2.5 % respondents respectively and 12.5% respondents selected children's marriage as their investment objectives. Tax saving has the lowest priority among the investment objectives. Hence education of children and future security are the prime motive of investment.

Table: 8 Preferences of Alternative Investments

Sr. no.	Investment avenues	Respondent size	Percentage (%)
1	Fixed deposit	22	27.5
2	Mutual fund	8	10
3	Share market	4	5
4	Gold	38	47.5
5	Real estate	8	10
Total		80	100

The above table shows that out of 80 respondents 27.5% of the investors prefer to invest their money in fixed deposits, 10% of the investors invest their money in mutual funds, 5% of investors invest their Money in share market. 47.5% of the investors invest their money in gold, 10% of the respondents invest their money in real estate. Most of the investors invest their money in gold and bank fixed deposits, because they want only safety to their investment amount.

9. Findings and Conclusion

- In this study the researcher has investigated 80 respondents out of them 67.25 % of respondents are aware about the investment avenues whereas 32.75% are unaware.
- A large chunk of investors prefer ordinary instrument like gold and fixed deposits.
- Most of the respondents are in the age group between 25 to 35 years 67.5%, between 36-45years are 27.5% and 46- 60years 5% only.
- Among the sample investors, majority of the 47.5% of the respondents have post- graduation, 17.5% have professional degree, 35% have graduation level.
- The study reveals that most of the investors belong to married category with 80%, unmarried with 20% and divorced with 0%.
- It is understood that most of the investors have a monthly income of Rs.20000 to Rs.40000 with 55% and less income group is above 60000 with 5%. Most of the investors have made their investment in Gold and followed by bank deposits in the study area.

10. Recommendations

- Awareness can be given to people about some investment plans like National Saving Certificate, Senior Citizen Saving Scheme, Mutual fund, Systematic investment plan etc along with their risk and reward benefits.
- Investor's feedback can be collected about the

alternative options so that improvements can be done in the schemes.

- Trustworthy and trained certified agents can be appointed by the institutions to facilitate the financial awareness among the investors.

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