

Investment Pattern of Individual Investors Residing in Ahmedabad City

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Abstract - This paper focuses on getting an insight on behaviour of individual investors across preferred investment avenues and the pattern of investment decisions with respect to Ahmedabad city. One can list several factors that affect the choice of investment avenues like the safety of principal amount, liquidity, income stability, and the kind of return it can provide. Also, the spread of investment options available like Fixed deposits, Government Securities, Corporate Bonds, Insurance policies, Real estates, Commodities, Shares and MFs, Chit Funds and Gold and Silver make it even more tricky for the individual investors. Investors have to carefully choose across all these options depending on their risk appetite and other factors like liquidity and time frame involved. It is not possible to completely avoid risks but they can minimize the risk by hedging their investments or diversifying the investment across variety of options. This study has further led the way for the researcher to understand the investment pattern of Individual investors and factors affecting the same.

Keywords - Keywords- Investment behaviour, Investment Preference, Investment Avenues, Demographics

I. INTRODUCTION

Investment alludes to the dedication of funds at present, in foresight of some positive rate of return in future. Today the range of investment is undoubtedly wide. An investment is stood up to with exhibit of investment avenues like bank deposits, real estate, small savings, life insurance schemes, bullions, commercial deposits, corporate security- bonds, mutual funds, and equity and preference shares. Among all investment, investments in bank deposits are most secure and most favored by the family and in value proportionately are generally productive. Investment has always been considered as a science that deals with the study of capital market which then leads to a systematic plan of investment. In India an investor comes across variety of financial products catering to varying needs and risk appetite of the massive population India boasts of.

In earlier times the financial products were offered namely by the banks (Current Accounts, Saving Banking Accounts, Recurring Deposits, and Fixed Deposits), the Insurance companies, and the Postal Department (Recurring Deposits, National Saving Certificates, KisanVikas Patras). However, post LPG movement the scenario has been very different. The Banking and Financial Market as an industry has grown in multi- folds and has offered diverse financial products such as mutual funds, shares, derivatives, life and non-life insurance schemes (Unit Linked Investment Plans (ULIPs) along with precious metals such as Gold, Silver as well as provident and pension funds, and children's education plans and so on.

Due to this the decision making process for the investor gets even more complicated as now he or she as an investor has

to choose from variety of options by factoring in the risk – return trade off associated with each of the option.

All of these Investment preferences would differ from person to person because each of the individual behaves differently while investing as they have different objectives , limitations and liabilities. Also , Investment behaviour of the individual is influenced by his/her own environment like Social and Cultural set up.

To add to this , demographic profile of an Investor will also make a significant impact on the avenues preferred. With an aim of creating expected returns in the stipulated time along with predetermined level of risk, the investor creates a portfolio – a diversified set of investments so that he or she can reduce the risk of loss. But this process also gets affected by gender, age as well as income .

This study aims to understand what kind of investment avenues are preferred by the individual investors who are residing in Ahmedabad city with brief focus on factors affecting and source of information taken into account in the process of making Investment Decision.

II. LITERATURE REVIEW

A. There are several studies that have been conducted in past to determine the pattern of Institutional Investments but Studies that investigate Investment pattern of individual investors are limited. Earlier research work mainly concentrated on irregularities in the pattern of investment exhibited by individual investors on the basis of Gender.

B. Earlier studies conclude that women invest their asset portfolios more orthodoxly than their male counterparts.

Schmidt & Sevak, (2006) studies on the Women's investment suggest that has women's investment volume has historically been lower than men's for several reasons, including socio – cultural and various demographic concerns. However the differences continue to be significant even after controlling for individual Characteristics .

C. Lopes,(1987) concluded that while making any Investment decision , Risk Aversion and Financial Literacy is the driving . Although diverse writings available on risk define it variedly but in common the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities).

D. Julie R. Agnew,(2003) suggested through their research that there is substantiation proving Women to be more risk averse than men in general and this means that women would invest in less risky assets in their investment plans. Also , the differences in financial literacy between men and women may also explain differences in their investment decisions. There is some research on individual investors .

E. Nagpal and Bodla (2007) endeavoured to comprehend the individual investor's example of investments and breaking down the investor's inclinations for different investment options over the statistic and psychographics measurements. With the point of gathering essential information, an example of 400 investors was chosen utilizing basic irregular testing out of which 350 reactions were utilized for information investigation. The study was restricted to the urban ranges of Haryana, Delhi and Chandigarh. The review was led between September, 2003 and March, 2004.The information was investigated by utilizing the different measurable procedures like engaging, chi-square test, one way ANOVA, group examination and correspondence examination. The review drawn out that the most noteworthy rate of investors i.e. 86.29% put resources into protection approaches taken after by investments in fixed deposits with banks or post offices and then EPF/PPF and NSC. The authors found three segments of investors i.e. aggressive, moderate and conservative investors on the basis of their lifestyles.

F. Narayana (1976) concluded that the most important forms of urban financial investment were bank deposits, shares and securities. Mudra - SAMIR'S (1992) work brings that the fact that the working women in urban India put aside one-fifth of their earnings as savings. According to Jawaharlal, (1995)investors with be provided with adequate and reliable information so that they can make sound investment decisions. Bandgar P.K (1999) opines that most of the investors do not know about safety of new issues of company shares, debentures and shares bought stock exchanges. Abhijit Dutta (2000) observes that the individual

investors have high confidence in themselves and are not guided by the market discounted asymmetric information. Maruthupandian.P(2001) says that investors should remember that their active participation in the activities of the investor forum is a must. Kirshnudu.Ch, B. Krishna Reddy and G. Rama Krishna Reddy(2005) have found out that the Investors are mostly influenced by family members while taking decisions on investment. Darshana.P (2008)the visual and print media and training programs will help investors make wellinformed decisions.

G. Vikram.S (2008) suggested that major percentage of respondents have moderate knowledge and have less exposure towards the financial market.

H. Sultana (2010) broke down the attributes of the Indian individual investor and made an endeavour to find the connection between the risk resilience level of investors and other free factors, for example, age, gender of an individual investor. An example of 150 individual investors was examined utilizing referral testing technique. The investigation was done on the premise of the reactions of the poll. Different factual apparatuses were utilized to fulfil the targets. Chi-square trial of freedom of credits was utilized to distinguish the reliance/independency of the components. Risk resistance level was measured utilizing combined scale and Correlation was utilized to know connection between risk resilience level and the age of the investors. The review uncovered that the male investors command the investment showcase in India. A large portion of the investors had advanced education in graduation. Most speculators read at least two wellsprings of data and lean toward electronic media by print media as a wellspring of data. It was found that the expansion in age diminishes the risk resistance level. Gender and risk resistance level were found as autonomous properties of the investors. PPF/FD/Bond by values was among the favoured avenues by the investors. The review presumed that the individual investors still like to put resources into monetary items which give chance free returns which inferred that Indian financial investors regardless of the possibility that they are of high income, well educated, salaried, independent were conservative investors who preferred to play safe. The creators recommended that investment product designers ought to outline items which can take into account the investors who are generally safe tolerant and utilize TV as a promoting middle as part of investors were observed to utilize TV as wellspring of data.

I. Lutfi (2011) inspected the connection between the different statistic variables like sex, age, conjugal status, instruction, pay, and number of family and speculator's venture inclinations among bank items, capital market instruments, and physical resources and hazard conduct. A specimen of 84 financial specialists in Surabaya, Indonesia was contemplated. Illustrative Analysis, Inferential Analysis and Chi-square test was connected to break down the

information. The outcomes demonstrated that statistic variables clarified financial specialist's hazard resistance and venture inclination. The outcomes likewise uncovered a noteworthy connection between financial specialists' hazard resilience and their speculation inclinations.

J. Kasilingam and Jayapal (2010) called attention to that the decision of individual investors is influenced by family income, timing of investment and savings motives. In contrast to this, Keshvan, Chidambaram and Ramchandran (2012) noticed that age, gender, educational qualification, occupation and annual income do not influence the type of investment avenues. It is to be noticed that very little research contemplates have been led on the mindfulness level of provincial investors and their example of interest in India. Finding the gap, the present study was intended to comprehend the relationship amongst education and investment mindfulness level and inclinations of rural investors

K. An exact investigation of "Indian Individual Investors Behaviour" by Syed Tabassum Sultana (2010) was an endeavor to know the profile of the investors and furthermore to know their qualities in order to know their inclination regarding their investments. The review additionally attempted to disentangle the impact of statistic components like gender and age on hazard resistance level of the investors.

III. STATEMENT OF THE PROBLEM

The advancement of any economy depends on vigorous - proportionate savings and proper allocation of capital for the developmental activities of any country. The decrease in disposable income or increase in per-capita income will add to savings. Now, the avenues of investment and the investors' opinion based on their preferences vary from person to person. Factors that play important role ; Liquidity and safe, tax exemption and other factors are also taken into consideration. Apart from the above factors, there are demographic factors which influence the decision on investment. This article discusses the factors which affect the investment behavior of individuals in the city of Ahmedabad.

IV. DATA ANALYSIS

Variables	Particulars	Frequency	%
Gender	Male	39	55.71
	Female	31	44.28
Region	Urban	32	45.71
	Semi – Urban	38	54.28
Type of Residence	Own	42	60
	Rented	28	40
Education	Higher Secondary	14	20

	UG	20	28.57
	PG	23	32.85
	Professional	13	18.57
Earning Members	One	34	48.57
	Two	28	40
	More than two	18	25.71
Income	< 5 Lacs	27	48.57
	5 Lacs - 10 Lacs	35	50
	> 10 Lacs	18	25.71
Age	< 40 years	36	51.43
	> 40 years	34	48.57
Marital Status	Married	38	54.28
	Unmarried	32	45.71
Occupation	Profession	22	31.42
	Service	38	54.28
	Business	20	28.57
Family Type	Joint	33	47.14
	Nuclear	37	52.85

From the above table it is inferred that

- Majority of the investors are male
- Most of them reside at the urban area than semi – urban area.
- Majority of the investors reside at their own house and prefer investing in real estate.
- Most of the investors have two earning members
- Majority of the investors are married
- Majority of investors belong to service class and hence have fixed income.
- Majority of the investor earn between 5 to 10 Lacs annually.
- Majority of the investors are from Joint family.

Friedman Test was conducted to identify the key sources of information that formed the investment preference of the individual investor.

Table 2: Friedman Test

Source of Information	Mean Rank	Rank
Print Media	1.84	6
Digital Media	3.76	3
Internet	4.6	1
Financial Advisor	3.54	4
Friends and Relatives	3.95	2
Self	3.32	5

The result of Friedman rank test suggests that the maximum number of the investors favor Internet for sourcing the investment related information which puts a serious question on authenticity of the information and hence the quality of investment decision.

Further, the next preferred choice is friends and relatives, on basis of their direction, experience and relative success rate the investment decision is made. The next source

considered for information is Digital media i.e T.V and Radio where financial news channels but still are considered speculative and misguided.

The most interesting outcome is that the Financial Advisor is given the fourth preference while taking an investment decision. Upon asking the reason revealed was the conflict of interest and high fees. However not many investors had

clear idea of how much fees are charged by the financial investor.

At last the least preferred sources of information on the basis of which investment decisions are taken were the analysis by self and print media. The reasons cited were the time consumed and lack of expertise.

Table 3: Garrett Ranking

Sr. NO	Factors	Rank										Z o.	M e a n	R a
		1	2	3	4	5	6	7	8	9	10			
1	Fixed Deposits	30	30	10	0	0	0	0	0	0	0	70	74.05	1
2	Gold and Silver	18	17	25	0	0	10	0	0	0	0	70	65.93	3
3	Govt Securities	0	0	0	0	12	30	18	0	10	0	70	44.51	7
4	Corporate Bonds	0	0	0	10	0	0	0	42	18	0	70	39.75	8
5	Equity Stocks	0	10	0	0	11	12	27	0	0	0	70	51.49	5
6	Banks Savings a/c	25	23	12	10	0	0	0	0	0	0	70	71.27	2
7	Commodities	0	0	0	0	11	0	0	12	13	34	70	31.47	9
8	Insurance	0	11	0	0	12	13	16	18	0	0	70	50.36	6
9	Real Estate	0	0	12	35	11	0	12	0	0	0	70	55.31	4
10	Chit Funds	0	0	0	0	0	0	0	0	24	46	70	23.42	10

The research of Garrett ranking reveals that respondents prefer to invest in Fixed deposits followed by Bank savings a/c and gold and silver later. Commodities market and Chit funds were the least preferred options for the purpose of investment.

I. SUGGESTIONS

It is evident that to boost economy’s growth it is imperative for the Government to take some efforts to increase the financial and investment related awareness among individual investors with regard to different avenues of investment in order to channelize ideal funds in the system. Investors should be encouraged to take help of reliable Certified Financial Planners for making the right investment decisions & for having an ideal portfolio.

Also, the individual investors should be educated about range of options for investors like Government Securities, Corporate Bonds, Insurance policies, Real estates, Commodities, Shares & MFs, Chit Funds and Gold & Silver.

Also it is significant for the investors that before keeping any investment blocked for longer time horizon they should thoroughly evaluate objectives and types of Investment Avenue. For example , Insurance should be considered as assurance and not investment. So, instead of buying high premium charging policies, they should invest in pure protection plans as the premium is less and the surplus can be capitalized elsewhere and the return can be earned.

It has also been observed that the investor tend to make their investments choices at the very end of financial year as the last resort and at the time of decision making the due time is not taken which affects the quality and success of decision hence, instead of making the last minute rush investors must plan for their investments from the beginning stage of the financial year.

To make the right choice the investors need to know about the investment avenues where they have invested along with the overall investment avenues. This will enable them to make necessary changes for keeping their portfolio profitable.

V. CONCLUSION

This research paper submits that investment decisions irrespective of what is the amount, does require a definite amount of knowledge, information and acumen. There are several factors that direct the investment decision spread across avenue chosen ranging from gender and income to investor’s personality and risk appetite. Investors, before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments.

In case of Ahmedabad city , the most preferred source of information was Internet , followed by suggestions received from friends and relatives. This really raises questions about the way financial decisions are taken by investors in Ahmedabad city.

Also, the preferred options for investment, even in tier II city like Ahmedabad is still Fixed Deposits, followed by Bank Savings and Gold and Silver.

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