A Study of Awareness and Investment Behaviour of Youth in Pune Region

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Abstract : **In today's radically changing economic and market conditions, young investors have become increasingly conscious about investing their hard earned money. Reflecting on the same, this quantitative research provides an insight on the investment awareness and patterns of the youth in Pune region. Further, it understands and establishes a relationship between various demographic variables and investment decisions. Key findings suggest that not only is the youth in Pune aware about various investment avenues but also is willing to take evaluated risks while investing. The study also reveals that there is no significant difference between the investment activity of young males and females. Statistical tools like one sample t test and chi square test were used to analyze the data obtained from a sample size of 100 respondents to arrive at the conclusions.**

Keywords — Investment Behaviour, Awareness, Youth, Behavioural Finance, Risk Tolerance, Investors

I. INTRODUCTION

Studies investigating the investment awareness and behaviour of the population in general have been popular in the recent times. With the changing economy and market conditions, there has been a rise in the income and expenditure and as a result the purchasing power of individuals has also increased. People have become more keen and conscious about investing their hard earned money to get higher returns. There has been a radical increase in the number of available investment avenues which offer a variety of choices for the investors to put their money into. This research study aims to look at the level of awareness and investment behaviour of particularly the young generation of Pune. Pune is home to many educational institutes as well as IT companies. Hence, samples have been collected from young individuals who are students, salaried employees, professionals, business owners as well as home makers. The study will also check the perception of youth about different investment avenues and their willingness to invest in them in future.

II. LITERATURE REVIEW

In literature, it is believed that major research in the area of investors' behavior has been done by many behavioral scientists. It was pointed out that the biopsychosocial factors are directly related to the levels of risk tolerance among individuals of all ages (Kannadhasan, 2016)[1]. Biopsychosocial factors essentially refer to age, gender, educational level as well as attitude, personality and behaviour of the individuals. In his study Malkiel profoundly ponders over how the faint hearted mustn't concern themselves with investments in stock markets

(Malkiel, 2007)[2]. Over the years it has been observed that investments in stock markets are nothing short of gambling, hence requiring a high risk taking personality. It is also suggested that an individual's risk tolerance is related to his/her household situation, lifecycle stage and subjective factors. Researchers measure the hypothetical retirement risk tolerance (Hanna, 2001)[3]. This study only suggested ways to improve the questionnaire for improving the tools to measure the retirement risk tolerance. Scientists have strongly advocated that stock market is governed by the market information which directly affects the behaviour of the investors (Weber, 1999)[4], (Shiller, 2000)[5] and (Sherfin, 2000)6]. The relationship between demographics such as gender, age and risk tolerance level of individuals has been brought out (Sung, 2001)[7]. Of this, it is safe to say that the relationship between age and risk tolerance level has attracted much attention.

The factors that were related to individual's risk tolerance, which included years until retirement, knowledge sophistication, income and net worth were discussed (Mittra, 1995)[8]. It was suggested that what affects one's risk tolerance level are one's biological, demographic and socioeconomic characteristics; together with his/ her psychological makeup (P Horvath, 1993)[9]. It was also concluded that males are more risk tolerant than females (Guiso, 1996)[10].

Perhaps the first to study the relationship between risk tolerance and age were Wallach & Kogan in their study. (Wallach & Kogan, 1961)[11]. Risky asset fraction of the portfolio was found to be positively correlated with income and age, and negatively correlated with marital status (R.A. Cohn, 1985)[12]. The evidence of increasing risk aversion

with age was found although the households appear to become less risk averse as their wealth increases (Suarez, 1983)[13]. They found that the change in the risky asset holdings were not uniform. They also found individuals to increase their investments in risky assets throughout their working life time, and decrease their risk exposure once they retire. Indian studies on individual investors' were mostly confined to studies on share ownership, with the exception of a few.

The Indian Shareowners Survey brought out a volley of information on shareowners. Rajarajan V classified investors on the basis of their demographics. He has also brought out the investors' characteristics on the basis of their investment size. He deduced that the percentage of risky assets to total financial investments had declined as the investor moves up through various stages in life cycle. Also investors' lifestyle based characteristics have been identified. The above discussion presents a detailed picture about the various facets of risk studies that have taken place in the past. In the present study, the findings of many of these studies are verified and updated.

III. STATEMENT OF THE PROBLEM

As already established in previous literature, an individual's investing pattern and preferences go on changing as he moves further in his lifecycle stages. It is understood that individuals would prefer to invest their money with different a purpose. As a majority of India's population is young, it becomes imperative for all organizations whether in product or service category to have a clear idea about the changing needs of their consumers. The investment industry is no exception to that. It is extremely important for banks as well as Non Banking Financial Corporations to fully know their customers. This research aims to throw light on the changing needs of the young investors in Pune region.

In view to the problem statement, the following research questions can be brought out:

1) What is the level of awareness about investments among the youth in Pune?
2) What are the various sources which inform and influence the young generation while making investment decisions?
3) Is there a difference between the investment activity of young men and women?
4) Is there a correlation between occupation and risk taking ability of the youth?

IV. OBJECTIVES OF THE STUDY

1) To assess the level of awareness about various investment avenues and their perception about them among the youth in Pune.

2) To find out the sources of information and factors that influence the investment decisions of the youth.

3) To compare the investment behaviour of young males and females of Pune through their investment activity.

4) To find out if there is a correlation between the occupation of young individuals and their risk taking ability.

V. RESEARCH METHODOLOGY

RESEARCH DESIGN

This research study is quantitative in nature which attempts to measure the level of awareness about investment avenues among the youth in Pune The type of research design used is descriptive research design which constitutes of clearly defined hypotheses which are further tested based on data collected through a structured questionnaire.

SAMPLING METHOD AND SIZE

The respondents from a population of individuals aged 18-40 residing in Pune region were selected for this survey based questionnaire using convenience sampling technique.

The research draws samples from young investors across Pune region. Pune is home to many educational institutes as well as IT companies. As a result, the city has become a home to ethnically and culturally diverse populace. Young investors include persons with different social, economic and educational backgrounds ; working and non-working. The respondents include salaried employees, professionals and individuals having their own business. It also includes students and home makers who save a part of their earnings and allowance regularly. This study aims to check the perception of such young investors of Pune about different investment avenues.

The sample size of a 100 respondents was selected. The questionnaire was developed after a thorough reading of previous literature as well as keeping in mind the objectives of the research

SOURCES OF DATA USED

Data was collected using primary and secondary sources. Pilot study was done on 40 number of respondents and variables were finalized for the research. The raw data was generated from 100 respondents with the help of structured questionnaire and structured interview. The fieldwork and data collection was primarily done during the months of May and June 2019.

Secondary data sources were collected through internet, journals, magazines, digital library, books, etc. The data collected was compiled and then analyzed with graphical methods, chi square test and t-test one sample, Finally conclusions were drawn based on the findings.

HYPOTHESIS OF THE STUDY

On the basis of the objectives and dimensions of the study, the following hypotheses are framed.

H_1: Educated youth in Pune is aware about the importance of investment and various investment avenues.

H_2: The young investors are influenced by their family and friends while making investment decisions

H_3: There is a significant relationship between gender and regular investment activity of young investors.

H_4 : There is a significant relationship between occupation and risk taking ability of the youth in Pune.

Generally, individuals who earn a considerable and regular monthly income are expected to be more financially aware about saving and investments while students are expected to be aware but not very active investors and high risk takers.

VI. ANALYSIS AND INTERPRETATION

The respondents were encouraged to give their honest and unbiased responses to the distributed questionnaire. The collected data has been analyzed using appropriate tools. Having analyzed the data, interpretations have been made about the answers to each question by the respondents.

Table 1: Demographics Of The Sample Investor

Parameter	No: Of Investors	Percentage
Gender		
Male	58	58%
Female	42	42%
Total	100	100%
Age Group		
Between 18 - 25	57	57%
Between 26 – 33	28	28%
Between 34 – 40	15	15%
Total	100	100%
Qualification		
10th	1	1%
12th	4	4%
Graduates	41	41%
Post Graduates	54	54%
Total	100	100%
Occupation		
Student	50	50%
Salaried Employee	23	23%
Business Owner	13	13%
Professional	6	6%
Homemaker	8	8%
Total	100	100%
Monthly Income		
Below Rs. 10,000	34	34%
Rs. 10,000 - 25,000	29	29%
Rs. 25,000 - 50,000	22	22%
Above Rs, 50,000	15	15%
Total	100	100%

Table 1 shows, that 58 respondents (58%) of the investors are male and the rest 42(42%) are female. It is observed that more number of males are interested in investments and information related to it. It can be concluded that males are inherently more inclined towards investments than females.

When it comes to age, it is found that majority (57%) of respondents who belong to the age group of 18-25 are significantly more inclined towards investment as compared to other age groups. Hence, it is concluded that young investors are more involved in investments as compared to older age groups. This also shows that young people are more open towards different investment avenues.

It is interesting to note that 54% of the individual respondents are Post Graduates, and 41% are graduates. This implies that the survey was answered by the educated youth of Pune region. It is assumed that there are no illiterates who took the survey. Only 4% of the respondents have passed 12th grade and only 1% has passed 10th grade. Hence, it can also be considered that the data received from the survey is increasingly reliable.

The data also says that 50% of respondents are students. 23% are salaried employees and 13% are business owners. It is seen that 6% of individual respondents are professionals and 8% homemakers have also filled the form. It is surprising to find out that young students are more aware and indulge in investments as compared to salaried employees, business owners, and professionals.

With respect to monthly income it is observed that 34% investors lie in the income levels below Rs 10,000 followed by 29% having income between Rs 10,000- 25,000. There are 15% respondents whose income is more than 50 thousand rupees. Majority of respondents are having income levels below Rs 10,000.

It is concluded that young students having income below Rs 10,000 are significant contributors for investments and prefer investing over the other occupation groups.

Hypotheses testing :

Test 1

Null hypothesis H_0 : Educated youth in Pune is not aware about the importance of investments and various investment avenues.

Alternate hypothesis H_1 : Educated youth in Pune is aware about the importance of investments and various investment avenues.

Table 2 Investments And Savings Are Important

Parameter	No Of Investors	Percentage
Strongly Disagree	9	9%
Disagree	2	2%
Neutral	9	9%

Agree	21	21%
Strongly Agree	59	59%
Total	**100**	**100**

Stated above are the alternate and null hypotheses on the basis of the research conducted. With the help of the results of one sample t- test conducted in MS Excel, the following results were obtained.

Table 3: Source- MS Excel

t-Test: One sample	
Parameters	*I think savings and investment are important.*
Mean	1.81
Variance	1.549393939
Observations	100
Hypothesized Mean Difference	3
Df	99
t Stat	-9.560179244
$P(T<=t)$ one-tail	4.98405E-16
t Critical one-tail	1.660391157
$P(T<=t)$ two-tail	9.9681E-16
t Critical two-tail	1.9842169

In this table, the P value is observed to be less than 0.05 which is the set significance level (probability of rejecting the null hypothesis when the null hypothesis is true). Hence, we reject the null hypothesis and accept the alternate hypothesis.

To further test the validity of the alternate hypothesis, we have data from table 4

Table 4 Awareness About Investment Avenues

Parameter	No Of Investors	Percentage
Bank Deposits	91	91%
Life Insurance	80	80%
Mutual Funds	77	77%
Gold/Silver	74	74%
PPF	67	67%
Real Estate	63	63%
Equity Shares	61	61%
Govt. Securities	39	39%
Debentures	38	38%

When 100 respondents were asked about each of the above investment avenues, their responses were as tabulated.

From the above data obtained from the respondents we can safely say that majority of young population is aware about the mentioned investment avenues.

Test 2

Null Hypothesis H_0 : The young generation is not influenced by their family and friends while making investment decisions.

Alternate Hypothesis H_2: The young generation is influenced by their family and friends while making investment decisions.

Table 5 Influence on investing decisions

Parameter	No Of Investors	Percentage
Friends & Family	83	83%
Internet	43	43%
Financial planners	40	40%
News papers	28	28%
News channels	21	21%
Books and magazines	18	18%

Graph 1: Influence on investors
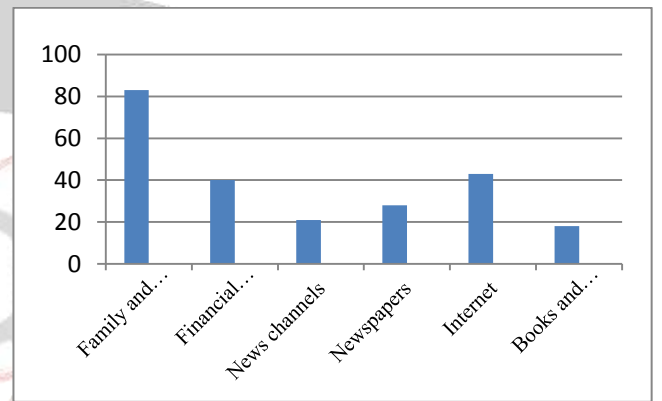
From the data presented in table 5 on the basis of responses from the figure 1, we can observe that majority of young investors (83%) are informed and influenced about investments from their family and friends followed by the internet (43%) and financial planners(40%). Hence H_2 is proven and null hypothesis is rejected.

Test 3

Null Hypothesis H_0 : There is no significant relationship between gender and regular investment activity

Alternate Hypothesis H_3: There is a significant relationship between gender and regular investment activity

Table 6 : Observed frequencies in Pivot table

Gender	I am a regular investor	I am aware about investments but not a regular investor	I am not aware about investments but would like to invest in future.	Grand Total
Female	12	25	5	42
Male	22	27	9	58
Grand Total	**34**	**52**	**14**	**100**

Table 7 : Expected frequencies in Pivot table

Gender	I am a regular investor	I am aware about investments but not a regular investor	I am not aware about investments but would like to invest in future.	Grand Total
Female	14.28	21.84	5.88	42
Male	19.27	30.16	8.12	58
Grand Total	**34**	**52**	**14**	**100**

Chi Square Test is used to try and establish a relationship between gender and regularity of investments.

Using the function "CHITEST" and using observed and expected frequencies in Excel, the P value was found out to be : **0.439767557**

As this value is greater than that of the set significance value of 0.05, the null hypothesis stands true and the alternate hypothesis is rejected.

Hence, it is concluded that there is no relationship between gender and regularity of investments. It shows that when it comes to investment perceptions among males and females, their operations are indifferent from each other.

Test 4

Null Hypothesis H_0 : There is no significant relationship between occupation and risk taking ability of the youth in Pune

Alternate Hypothesis H4: There is a significant relationship between occupation and risk taking ability of the youth in Pune

Table 8 : Observed frequencies from Pivot table

Occupation	Careful	Low risk taker	Reckless	Willing to take evaluated risks	Total
Business owner	6	2		5	13
Homemaker		7		1	8
Professional	5			1	6
Salaried employee	9	2	2	10	23
Student	19	10		21	50
Total	39	21	2	38	100

Table 9 : Expected frequencies from Pivot table

Occupation	Careful	Low risk taker	Reckless	Willing to take evaluated risks	Total
Business owner	5.07	2.73	0.26	4.94	13
Homemaker	3.12	1.68	0.16	3.04	8
Professional	2.34	1.26	0.12	2.28	6
Salaried employee	8.97	4.83	0.46	8.74	23
Student	19.5	10.5	1	19	50
Total	39	21	2	38	100

With the help of the results of "chi square test" conducted in MS Excel, the following results were obtained:

Using the function "CHITEST" in Excel, the P value was found out to be : 0.003242969

As this value is less than that of the set significance value of 0.05, the null hypothesis is rejected and the alternate hypothesis is accepted.

Hence, there exists a relationship between the occupation and risk taking ability of the young investors in Pune. Upon careful examination of the students, it has been observed that students are willing to take more risks while investing than salaried employees who are known to have an assured income.

VII. FINDINGS, CONCLUSIONS AND SUGGESTIONS

FINDINGS

The empirical evidence derived from the analyzing the data is presented in the following observations and findings.

1)By observing the responses, it has been found that majority of the young investors (91%) are aware about one particular investment avenue i.e 'Bank Deposits'. The second most known investment avenue is 'Life Insurance' at 80%. Followed by that is 'Mutual Funds' at 77% and 'Gold/Silver' at 74%. The least known investment avenues are 'Government Securities' and 'Debentures' at 39% and 38% respectively. Also, by performing **test 1 (1- sample t test)** on **hypothesis H_0** the **P value** was found to be **less than** the significance level **0.05**. Hence, the alternate hypothesis stands true. **Educated youth in Pune is aware about the importance of investments and various investment avenues.**

2) Based on the objective of the research, **hypothesis H_2** was made stating that the young generation is most influenced by their family and friends while making investment decisions. the relevant data is presented in **table**

5 of the data analysis section. According to this representation, 83% of the total 100 respondents are influenced by family and friends while making investment decisions. **The data also says that family and friends are the primary source of information regarding investment avenues for most of the young respondents**. This is followed by the internet at 43% and the least is 'Books and Magazines' at 18%.

3) The **hypothesis H$_3$** states that men are more active and regular investors than women belonging to the youth. As a result of statistical test it is found that the **P value is 0.439767557** which is significantly more than the alpha level of 0.05. Hence, H$_0$ is accepted and there is no significant relationship between gender and investment activity of the youth. **Males and females are both equally regular investors in today's day.**

4) One of the objectives of the study is to find out whether there is relation between occupation of the youth and the risk taking ability. As majority of the respondents are students, the risk taking ability of the students is assessed. **Hypothesis H$_4$** based on this states that students in Pune are willing to take evaluated risks while investing. After running a chi square test in MS Excel it is found that the **P value is 0.003242969** which is less than the significance level of 0.05. Hence, the null hypothesis is rejected and the alternate hypothesis H4 is accepted. **Students in Pune are willing to take evaluated risks while investing.**

CONCLUSIONS AND DISCUSSIONS

In summary, the following conclusions are made:

The city of Pune being an IT hub and an educational hub, youth constitutes the most significant portion of the population. In the current era, youth responds significantly to investments and information related to investments.

The young investors of Pune are well informed about several investment avenues of which, Bank deposits (91%) are the most popular followed by Life Insurance (80%), Mutual Funds (77%) and Gold/ Silver (74%) as investment options.

Family and friends, the internet and financial planners are more significant influencers for investment decisions. When it comes to taking crucial investment decisions where considerable risk is involved, family and friends are the most trusted source of information even though the internet and emerging financial planners are not far behind.

The young investors are ready to take risks and involve in better investment options which will give a boost to the financial activity in the country in future.

Earlier researchers have proved that women are less risk tolerant than men and are usually less active investors. Whereas in today's era, the presence of women leaders can be seen everywhere. Women are becoming more financially

independent and hence there is no difference between young men and women in terms of investments.

SUGGESTIONS

As it is evident that the youth in Pune is well informed and aware about most investment avenues, it is beneficial to the society by and large. When people start investing money at an early age, they are bound to get more returns. With the time factor on their side, they can build exceptional investment portfolios by investing in the most profitable investment avenues as well as secure their future while building a growing economy for the country.

Marketers need to know and fully understand the influencers for investment decisions with respect to the young investors. Young investors are beginners in the financial market and seek help and guidance when it comes to investing. Organizations should hence focus on building lasting relationships with the help of tools like Customer Relationship Management.

Internet provides a solution to almost all problems in the walk of life today and we can see more and more youth seeking help from internet for everything. Hence, marketers should carefully evaluate all the information and content that is published online, as this can be a major source of information for the young investors.

Lastly, financial planning is emerging as an occupation and the research shows that young investors are seeking professional advice from financial planners while investing as well. Organizations should pay special attention to the role of financial planners in young investors' decisions.

Also, majority of students are seen to be willing to take evaluated risks. They should be provided with the right information and guideline about investments at the right age so that they start investing early in life.

VIII. LIMITATIONS OF THE STUDY

The following are the limitations faced while conducting the research.

1. True representativeness of the sample:

The sample size of 100 respondents has been considered for the study. The responses from these respondents have been thoroughly analyzed. However, the population of young individuals in Pune between the age of 18-40 is very large. Due to time and cost constraints, only the most convenient respondents were distributed the questionnaire to fill. Hence, the true representativeness of the sample is a limitation.

2. Number of Financial Instruments

The total number of financial is also very large with new options coming up every day. In such a scenario, it is extremely difficult to analyze in detail, awareness and

preference of individual investors about each of these avenues.

3. Biased data

Due to the use of questionnaire as an instrument to collect data, the respondent might be inclined to respond in a certain way looking at a certain question. Hence, The probability of a few data being biased to some degree cannot be denied.

4. Reluctance to provide information

Individual respondents are not always comfortable sharing data about their income and investment patterns. To get rid of this limitation, the data was collected anonymously. Even in that case obtaining honest responses from respondents can be quite a challenge.

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APPENDIX

Questionnaire

Investment awareness and behaviour

This is a questionnaire to find out the level of awareness about investment options and investment behaviour of the respondents. It will be used for educational purposes.

1. **Age group:**
   o 18-25
   o 26-35
   o 36-45

2. **Occupation:**
   o Student
   o Salaried employee
   o Business owner
   o Professional (eg Doctor, Chartered accountant etc)
   o Homemaker

3. **Gender**
   o Male
   o Female

4. **Education:**
   o Post graduate
   o Under graduate
   o 12th
   o 10th

5. **Monthly income/allowance**
   o Less than 10,000
   o 10,000 - 25,000
   o 25,000 - 50,000
   o More than 50,000

6. **I think savings and investment are important. ***
   o Strongly disagree
   o Disagree
   o Neutral
   o Agree
   o Strongly agree

7. **Do you save a part of your monthly income/ allowance?**
   o Yes
   o No

8. **If yes, how much percentage of your income/allowance do you save?**
   o 0 - 10%
   o 10 - 20%

- o   20 - 30%
- o   30% or above

9. I am aware about the following investment avenues (choose all applicable answers)

- o   Bank deposits
- o   Public Provident Fund
- o   Mutual funds
- o   Life insurance
- o   Government securities
- o   Debentures
- o   Equity shares
- o   Real estate
- o   Gold/Silver

10. Do you invest in any of the above mentioned options?.

- o   Yes
- o   No

11. Rank the following investments avenues based on your preference of investment in them, 1 being the highest 9 being the lowest.

- o   Bank deposits
- o   Public Provident Fund
- o   Mutual funds
- o   Life insurance
- o   Government securities
- o   Debentures
- o   Equity shares
- o   Real estate
- o   Gold/ Silver

12. How often do you invest your money?

- o   Monthly
- o   Quarterly
- o   Half yearly
- o   Yearly

13. For how long do you normally invest your money?

- o   Less than 6 months
- o   6 months - 1 year
- o   1-3 years
- o   More than 3 years

14. What is the most important purpose behind investment?

- o   Wealth creation
- o   Tax saving
- o   Earn returns
- o   Future expenses

15. How would you "honestly" describe yourself as a risk taker?

- o   Reckless
- o   Willing to take evaluated risks
- o   Careful

- o   Low risk taker
- o   Extremely risk averse

16. Among the following, what factors do you look for while investing?

- o   Safety
- o   High returns
- o   Maturity period (Long term or short term)
- o   Liquidity (easy encashment)
- o   Other:

17. How would you want your investment to grow?

- o   Steadily
- o   At an average rate
- o   Fast

18. What is your main source of information about investment?

- o   Family and friends
- o   Financial planners
- o   News channels
- o   News papers
- o   Internet
- o   Books and magazines

19. To sum up, you would say:

- o   I am a regular investor
- o   I am aware about investments but not a regular investor
- o   I am not aware about investments but would like to invest in future.