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A STUDY ON BEHAVIOUR AND INVESTMENT PATTERN OF INVESTOR FOR DIFFERENT INVESTMENT AVENUES WITH SPECIAL REFERENCE TO AHMEDABAD CITY

Dr. Priyanka Bhatt[1], Margi Soni[2]

[1] Assocaite Professor, SAL Institute of Management, Ahmedabad, Gujarat, India.
[2] Assistant Professor, SAL Institute of Management, Ahmedabad, Gujarat, India.

ABSTRACT

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. The major problem that every Investor is facing is of lack of understanding and lack of patience. Also at the same time very less people have knowledge about diversifying their portfolios. So, many a times they face troubles in investing and also suffer losses which many a times causes mental stress among them. So, it becomes very essential to undertake study for knowing the Investment pattern and their attitude towards investing in different investment avenues. In this empirical study, data was collected through structured questionnaire over 417 respondents who are investing in any of the available investment avenues and the scope of this data collection is limited to Ahmadabad only. Thus the purpose of this paper is to explore the behavioural aspects of investors and their investment patterns while investing in any avenues. Frequency analysis, Descriptive Analysis, Correlation, ANOVA, cross tabulation have been used for the analysis. The major findings of the study are investor have very conservative approach for investment and their portfolio selection is majorly dependent on their risk tolerance level.

KEYWORDS: Savings, Investment, Investment Pattern, Investment avenues.

I. INTRODUCTION:

The need for diversification has been realized as a reason to reduce risk and distributing savings to avoid any problems in the future. At the same time, the availability of many investment options like, Bank, Mutual Fund, post office, gold etc. throws a challenge for the investor but at the same time it can not be generalized that one investment is best for everyone so, it all depends on the risk profile of Investors that which investment portfolio suits him the best. This study analyzes on individual investor behavior and patterns are an attempt to know the profile of the investors and also know the characteristic of the investor regarding their investment. This study mainly considers factors like, demographic profile, investment information, risk& return, safety and security, liquidity, tax saving the pattern of investors. We want to suggest the investor where they need to invest in future. They will make right investment decision in future according to their behaviour and pattern of investment.

This study is important for Investors as well as for the investment organizations as, Investor will be able to know their investment patterns and will help them to learn from it and for the organizations, it helps them to study the mindset of investors and their preferences so they can guide them in a more impro ved manner.

II. THEORITICAL BACKGROUND:

The research shows that gender, age and friends are mostly influencing the investment decisions of the respondents. The study presents the results of empirical testing of impact of demographic factors on investment avenues selected by investors in the twin cities of Hyderabad and Secunderabad, India. It is concluded that the respondents of the study are conservative in nature and show less concern for money multiplication and liquidity. (P.sireesha and Sreelaxmi(2013))[1]

As per the study, Investment pattern depend on the education level, income and saving level of an individual. Only 100 respondents were considered for the survey from the entire Hubli. Most of the stock market investors of this Hubli region know more about equity market than any other options in stock market Many investors who don"t like to invest in stock market believe risk to be the major cause for their non-investment in stock market. (C.R.Kothari, 2014)[2]

Research Paper titled, *"Analysis of Investors Behavior in Belgaun District, Karnataka State"* found that the primary objective of investors is to earn regular income and expected rate of return differs from person to person basedon their level of market knowledge and risk taking ability. They have analyzed that knowledge level significantly leverages the return on the investment and there is a negative co- relation between the occupation of retail investor and the level of risk. (Sheikh and Kalkundarikar, 2011)[3]

This study attempted to show the key demands that the major investors have of an investment are safety of principal amount, liquidity, income stability, appreciation and easy transferability. This study was based on percentage analyses and chi-square. A variety of investment avenues are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings and so on. Author concluded that most of the investors preferred mutual fund investment followed by Life Insurance Corporations. (R. Jayasatha and G Retha, 2014)[4]

Using the principles of Behavioral Finance the study explores the psychological concept of individual attachment style, especially individual investors to different available investment avenues and their investment preference process. This study indicates that there is a significant role of income and occupation in investment avenue selection by the male and female investors. (Harikant Dr. D & Pragathi B., 2013)[5]

III. MODEL DEVELOPMENT:

Based on the study of literature, several factors has been identified which can be regarded as an essential components in making investment decisions by the investors.

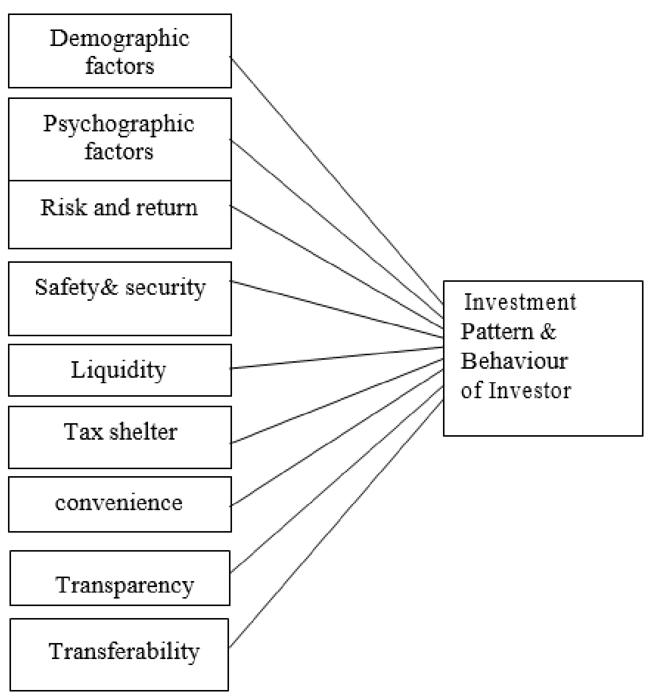

Chart 1: Factors influencing investment pattern of Investors

It has been studied from the literature reviews that major factors which influence the Investment decision of the Investor are Age, Income, Occupation, Influence of other persons. Other most important influencing factors are safety & security, ease of transfer, the ease of getting money when needed etc.

IV. RESEARCH METHODOLOGY:

A. Need of The Study::

This study analyzes on individual investor behavior and patterns are an attempt to know the profile of the investors and also know the characteristic of the investor regarding their investment. This study mainly considers factors like, demographic profile, investment information, risk & return, safety and security, liquidity, tax saving the pattern of investors. We want to suggest the investor where they need to invest in future. They will make right investment decision in future according to their behaviour and pattern of investment.

B. Research Objectives:

1. The main objective of the study is to determine factors that influence investment pattern and behaviour of investors.

2. To analyze the investment behaviour through personal and behavioral factors like; gender, occupation, age and income, Investment information, safety and security, risk & return, tax saving and liquidity.

3. After evaluating gender wise behavior we can offer suitable suggestions for investors and it will help them for better decision making.

4. To study the influence of risk taking capacity on investment behaviour of the investor.

C. Research Design:

The research design which is used to study the investment pattern and behaviour of respondents is Descriptive cross- sectional research design. The purpose of this research design is to describe the characteristics of borrower like, age, income, occupation, gender, risk profile etc.

D. [6] W's Research Process:

Why?

Why is this study required? It is important to understandwhy this research is Being conducted. The study is to determine factors that influence the investment patterns and behaviour with selected avenues available in the market. And we are focus regard to gender also.

Who?

After deciding the geographical are the questions comes who will be studied. Respondents need to be identified very carefully as the correctness and reliability of the Research depends on the quality of the responses received.

Where?

The geographical area to be covered under the research is another important Question. It not possible to cover entire population under any research the same way it is also not possible to cover entire geographical area under any research. Hence it becomes important to decide where the research is to be conducted. This study is covered specially Ahmedabad city only.

Whom?

This study is for the investor who are investing in different type of avenues like; Stock Market, Mutual Fund, Fixed Deposit, Bond, Gold, PPF, NPS, Real Estate, ELSS.

When?

Whether it is appropriate time to study the subject finalized for the research? If The study is too early the outcome will be immature and in case if it is too late then the results Will not be that much useful. Conducting the research at the right time makes it most beneficial for the parties concerned. This study is conducted in only 3 months. And these Months are February, March and April.

How?

This question is sub-set of the previous question "Which". The data collected needs to be analyzed appropriately in order to get the reliable and genuine results. The Question here arises how to analyze the data. This study is conducted through 417 Structured Questionnaire.

E. Data Collection Method:

The Primary data has been collected through the mode of Structured questionnaire.

F. Sampling Design:

Convenience sampling design has been adopted for studying the samples. Those who are willing and able to participate in a survey has been contacted.

G. Sample Size:

417 respondents from Ahmadabad city has been surveyed for the data collection.

H. Tools & Techniques Used:

Frequency statistics, correlation, ANOVA and cross tabulation has been applied.

V. DATA ANALYSIS SAMPLE CHARACTERISTICS:

Sample characteristics shows that majority of the respondents were male (62.4%) and 60.7 % were in the age group of 18-30 year. Aroung 52.8 % respondents were in the moderate risk-moderate return taking category. Many of the respondents said that if the value of their investment drops down then they wanted to continue their investment.

		Frequency	Percent
Gender	Male	260	62.4
	Female	157	37.6
Age	18-30	253	60.7
	30-45	107	25.7
	45 Above	57	13.7
Marital Status	Married	170	40.8
	Unmarried	247	59.2
Occupation	Job	207	49.6
	Professionals	49	11.8
	Businessman	61	14.6
	Housewife	34	8.2
	Other	66	15.8
Monthly Income	Up to 20000 Rs.	214	51.3
	21000-50000 Rs.	151	36.2
	51000-100000 Rs.	36	8.6
	More than 100000 Rs.	16	3.8
% of Investment	Less than 10 %	199	47.7
	11-20 %	145	34.8
	21-30 %	56	13.4
	Above 30 %	17	4.1
Investment Holding Period	Less than 1 year	85	20.4
	1-2 year	149	35.7
	2-5 year	109	26.31
	Above 5 year	74	17.7
If Investment value drops down by 10 % then,	Stay Invested	248	59.5
	Take out & invest in fixed deposit	102	24.5
	Indulge in short - term speculation	28	6.7
	Switch entire amount to cash	39	9.4
Portfolio that suits the best	High risk - High return	134	32.1
	Moderate risk - Moderate return	220	52.8
	Low risk - Low return	63	15.1

Source: prepared from responses

Correlation:

		I.I	R.R	S.S	L.S	T.S
I.I	Pearson Correlation	1	.285	.508	.485	.414
	Sig. (2- tailed)		.000	.000	.000	.000
	N	417	417	417	417	417
R.R	Pearson Correlation	.285	1	.348	.291	.489
	Sig. (2- tailed)	.000		.000	.000	.000
	N	417	417	417	417	417
S.S	Pearson Correlation	.508	.348	1	.519	.403
	Sig. (2- tailed)	.000	.000		.000	.000
	N	417	417	417	417	417
L.S	Pearson Correlation	.485	.291	.519	1	.307
	Sig. (2- tailed)	.000	.000	.000		.000
	N	417	417	417	417	417
T.S	Pearson Correlation	.414	.489	.403	.307	1
	Sig. (2- tailed)	.000	.000	.000	.000	
	N	417	417	417	417	417

(I.I-Investment Information, S.S-Safety & Security, R.R- Risk & Return, L.S.-Liquidity, T.S.-Tax Shelter)

All the factors like, Investment information, Risk and return, safety and security seems to be having positive relationship with each other.

ANOVA Test:

Test of Homogeneity of Variances					
I.I	Levene statistic	df1	df2	Sig.	Levene statistic
	Based on Mean	4.265	2	414	.015
	Based on Median	4.725	2	414	.009
	Based on Median and with adjusted df	4.725	2	403.674	.009
	Based on Trimmed Mean	4.310	2	414	.014

ANOVA					
I.I	Sum of squares	df	Mean square	F	Sig.
Between Groups	6.592	2	3.296	6.620	.001
Within Groups	206.140	414	.498		
Total	212.732	416			

H0: There is no significant difference among risk profile of investment pattern of investor for different investment avenues.

H1: There is a significant difference among risk profile of investment pattern of investor for different investment avenues.

Here sig. value is .000 (<0.05) hence we fail to Accept null hypothesis (rejected) which means that behavior and investment pattern of investor for different investment avenues significantly differs for different risk profile of investors.

Cross Tabulation:

Investment value drop down by 10% * investment Holding period * portfolio suits the best Cross tabulation

(Table : 1 Annexure)

VI. FINDINGS:

Findings have been summarized as follows:

Out of total respondents, 62 % are male and only 38 % are female so, it indicates that still women are having less tendency to invest money and take the decisions on their own.

Most of respondents are monthly income Rs.21, 000-50,000 and only 10% respondents have monthly income of above Rs. 1, 00,000.

Out of total respondents, 48% respondents invest less than 10% from their income, while only 4% respondents invest above 30 % of their income. So, which indicates a conservative approach in the part of investors.

As per the study, very minority of the respondents are having long term horizon for the investment. Only 18% respondents are having investment horizon of more than 5 year.

From the responses, it has been studied that more or les all the factors like, safety and security, liquidity, tax saving etc, are having positive relationship with each other. Like, correlation between II and SS is .508.

The behavior and investment pattern of investor for different investment avenues significantly differs and dependent on the risk taking capacity of the Investors.

From the study, it can be found that maximum no. of 27 respondents who are take high risk- high return, their investment holding period 1-5 years. If their investment value drop down by 10% at that time investor want to stay invested (long term investment).

There are total 248 respondent who are stay invested (long term investment). Whereas 102 respondents wanted to withdraw their investment and invest in fixed deposit. Whereas 28 respondent who are indulge in short term speculation. And 39 respondents who are switch entire amount in cash.

VII. SUGGESTIONS:

Financial service provider need to target women investor as they are lacking in information of investment avenues.

Companies can promote long term investment through more advertisement.

Companies should come up with the new innovative investment schemes which just focus on the risk taking capacity of the investors.

Companies need to know that why Investors withdraw their fund and they should come up with such strategies which make investors to remain invested for longer duration.

VIII. FUTURE SCOPE OF RESEARCH:

This study mainly focuses on all Investment avenues and the investment pattern of investors. Further research can be done with an intension to know the behavior which can be specific to Household, salaried people, working women or businessmen. This area gives us a very wider scope for further studies.

VIII. IMPLICATIONS OF THE STUDY:

This research will help to respondents as well as to financial service providers. With the help of this study, an organization can benefit by knowing the investment objectives, and behavior of the respondents so better guidance can be provided to the clients by them. Many respondents are able to gain knowledge about their investment by providing their responses and it will definitely a value addition to them.

IX. CONCLUSION:

In the present scenario the study takes modern types of investments. The investment and financial products become a common and important for leading a life. The study identified the main objectives of the behavior and investment pattern of investors. The study also draws an important conclusion from the study that the investors are a keen to invest in long term and less risk products, high return and low risk, and much interested to can good return on their take string decisions while investing money. Investors are aware about the factors their investment plans, and they do take advice from financial advisor, self- analysis by investors themselves and family consult. The study also draws that investing in financial products is more male driven compare to female.

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ANNEXURE

Table 1: Cross Tabulation

portfolio suits the best			Investment Holding period Less than 1 year	Investment Holding period 1-5 year	Investment Holding period 2-5 year	Investment Holding period more than 5 year	TOTAL
High risk - High return	investment value drop down by 10%	Stay Invested (long term investment)	15	27	26	18	86
		take out & invest in fixed deposit	3	12	6	6	27
		indulge in short term speculation	3	4	2	1	10
		switch entire amount to cash	1	5	4	1	11
	TOTAL	22	48	38	26	134	
Moderate Risk - Moderate Return	investment value drop down by 10%	Stay Invested (long term investment)	16	55	33	28	132
		take out & invest in fixed deposit	17	14	16	8	55
		indulge in short term speculation	3	8	4	3	18
		switch entire amount to cash	5	8	1	1	15
	TOTAL	41	85	54	40	220	
Low Risk- Low Return	investment value drop down by 10%	Stay Invested (long term investment)	11	6	11	2	30
		take out & invest in fixed deposit	5	7	5	3	20
		switch entire amount to cash	6	3	1	3	13
	TOTAL	22	16	17	8	63	

(Source: prepared from responses)