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A STUDY ON INVESTMENT PREFERENCES OF YOUNG INVESTORS IN THE CITY OF RAIPUR CHHATTISGARH, INDIA

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Abstract

From the economic liberalization there are numerous investment alternatives available in the market and the main objective of this research paper is to know the respondent's preferences over the investment alternatives which are available in the market. Investment is an activity by which people earn money by investing their money in some Financial Asset and Physical Asset. As life is uncertain and the future can't be predicted, so in order to secure future a person has to invest. Investors are investing their money with different objectives in their mind such as Profit, Security, and Appreciation etc. As a young investor has a good risk appetite and a good time horizon and to get a good return on the investment till, he reaches the age of 40, he has a various number of options to invest in. There are various number of investment avenues available in the market such as Bank Deposits, Post Office Deposits, Equity Market, Mutual Funds, Physical Gold, Real Estate. The study's primary objective is to find what are the preferences among the Young Investors who belong to the age group of 21-35 years in today's world. The attitude of the investors may vary from person to person within the same age group. The researchers have studied the various preferences among the young investors with help simplified questionnaire and personal interaction with the investors. The study is being conducted with reference to Raipur City. The primary data is gathered by using simplified questionnaire with the sample size of 119. The expected result of the study is that young investors are more inclined towards investment avenues like Equity Market, Mutual Funds.

Key Words: Young Investors, Investment Avenues, Risk Appetite, Appreciation, Investors Attitude, Financial Assets.

1. INTRODUCTION

Saving is an important part of every person in this world and also plays an important role in shaping nation's economy. Every person in this world wants to invest some amount of their income in some sort of investment tools to make better returns of it, for some future goals and unpredictable problems. In

this paper the main goal is to understand the Investment preferences among the young generation of India, to know whether they are moving towards investment avenues like Mutual Funds, Equity Market or they are following the same traditional pattern of investment like gold, real estate, and post office deposits which has been followed by the older age groups. One of the most thing why one should invest to beat the cost of inflation. Inflation is nothing but when the value of money drops by which it means that the money won't buy you the same amount of the goods which it used to buy. Financial Products act as an investor safety on the grounds of their risk appetite and financial status and also the risk and return from the financial product. In India the investment avenues which were traditionally being used by the investors were "Bank Deposits, Post Office Deposits, LIC Scheme, and Gold". But with the growth in finance industry of India in past few years, have changed the preference of the young generation and thus they are shifting towards investment avenues like Mutual Fund, Equity Market and Commodities. According to census the age group which has been defined for young generation is 15-30, but the age group which has been taken for this study is 21-35 because by this age many individuals start thinking about their investments. Young investors who have been considered for this research are the ones falling into the age group of 21-35 years.

1.1 AVAILABLE INVESTMENT OPTIONS

- 1.1.1 Mutual Fund
- 1.1.2 Equity Market
- 1.1.3 Bank Deposits
- 1.1.4 Post Office Deposits
- 1.1.5 Real Estate
- 1.1.6 Gold

1.1.1 MUTUAL FUNDS

Mutual fund is a vehicle for mobilizing investor money, investing in various industries and securities, in line with agreed investment goals, between the mutual fund and shareholders. In other words, a tiny investor can use professional wealth management services provided by an asset management company through investment in a mutual fund. Their fundamental function is to help investors earn a revenue or build their assets by engaging in the possibilities available in different securities and markets. Mutual funds can structure a scheme for any type of investment goal. Thus, through its different systems, the mutual fund structure enables a big corpus of cash from varied investors to be taped.

1.1.2 EQUITY MARKET

An equity market is a market in which, through exchanges or over - the-counter markets, shares are issued and traded. Also known as the stock market, it is one of a market economy's most important fields because it

provides businesses access to capital and investors a slice of ownership in a business with the ability to realize profits based on their future results. Equity is one of the most dangerous fields. At the same moment, however, this is also a location where an investor can receive elevated return prices. Investment, on the other side, requires a long-term strategy that will absorb the fund for a longer moment. These two paths are connected with multiple advantages as well as hazards, and it is up to the person to make up his mind.

1.1.3 BANK DEPOSITS

Banks offer two types of deposit accounts primarily. These are deposits of demand such as current / saving account and deposits of term such as fixed or recurring deposits. You become an account holder or a depositor when you open a deposit account in a bank. Saving accounts are used to satisfy money demands on-demand on a daily basis. You have a saving bank account, for instance, with the bank having a cheque book facility. The bank asks you to keep a minimum Rs 1000 balance. The bank pays you a 4 percent interest per annum in exchange. You can also use an ATM card to run the saving account. Banks use ATMs to impose limitations on the frequency and quantity of withdrawal. The saving account deposit rates continue to change depending on the revision of policy rates by RBI. Banks give reduced saving account interest rates relative to term deposits. This is why investors are opting for term deposit accounts. For a set period of moment, a term deposit account is used to hold cash. The bank pays interest on the term deposits in exchange for this. However, before the expiry of the set period you are not permitted to withdraw your cash. For example, you have Rs.10,000 fixed deposit with bank for a period of five years, then bank pays you an interest at an annual rate of 8.5%

1.1.4 POST OFFICE DEPOSITS

Post Office provides investors different deposit schemes. Small savings plans are also known as these. The special feature of these systems is their sovereign assurance, i.e. the state supports it. Section 80C of the Income Tax Act also provides tax benefits in some of the post office systems. The interest rate provided on the schemes is evaluated and set by government authorities every quarter. Some schemes provided by the Department of Post Office are as (Senior Citizen Saving Scheme, PPF, Period Deposit, Recurring Deposit (Post Office)).

1.1.5 REAL ESTATE

Investing in real estate is one of India's most prevalent practices that is being pursued over a very lengthy period of time and will continue in the future. In India, real estate is regarded to be one of the largest investments that can be made and the investment has been made for at least 10 years. The individual who invests in immovable property can also gain cash with the assets by renting it out. Because of the growth of infrastructure, real property can offer a significant appreciation of capital through time sales.

1.1.6 GOLD

Gold is regarded to be one of the most precious investment instruments in India because it can also be used as an investment and in the form of jewelry. Not only can one invest in gold by getting it in physical form, but also Paper Gold can invest in it through Exchange Traded Funds and Sovereign Gold Funds, Gold Saving Scheme, and now a day's gold is also accessible through PAYTM, GOLDRUSH (maintained by Stock Holding Corporation of India) in Digital Form.

2. OBJECTIVES

The main purpose of this analysis is to find the investment preferences among the investors. Investors perception will give insight on how the investors think about the various investment avenues and the services provided by the companies.

- Avenue preference among the investors
- What parameters are taken into consideration before investing.
- What time period of investment does young generation feel comfortable to invest.
- To find out whether Mutual Fund and Equity Investment avenues are preferred by young investors or not.

3. SIGNIFICANCE OF THE STUDY

The significance of the research is to understand the investment avenue selection among the young investors and to understand the relation between investment and savings. If the selection of investment avenues among the youthful investors is good, then it will help our government for making policies according to it so that the investors get motivated to invest in Financial Market and its Instruments. The study area is featured by a good number of young generations i.e. students, salaried, businessmen. Further, this study will help the young investors to decide in what financial product they should invest so that they can plan their goals accordingly.

4. HYPOTHESIS

Hypothesis 1:

H₀ - There is no significance difference among the Genders while choosing Investment Avenue like Equity and Mutual Fund.

H₁ - There is significance difference among the Genders while choosing investment avenue like Equity and Mutual Fund.

Hypothesis 2:

H0 – There is no significance difference among the Age Group while Investing in Equity and Mutual Fund.

H1 – There is significance difference among the Age Group while investing in Equity and Mutual Fund.

5. LITRETATURE REVIEW

Gupta et al. (2001) studied the preferences, future intentions and experiences of Indian family investors and discovered that bonds were considered an investment for retired individuals but had little attraction to young individuals. For all age groups, the market penetration attained through mutual funds was discovered to be significantly smaller than equity shares.

Gupta and Jain (2008) according to the study of 1463 homes, investor preferences were discovered among the main classifications of economic assets, such as share investment, indirect investment through multiple kinds of mutual fund schemes, other kinds of investment, such as exchange-traded gold funds, bank deposits and public savings schemes. The research offers interesting data on how the attitude of investors towards different kinds of investment is linked to their revenue and age, their practices of portfolio diversification, and the general quality of market regulation seen by the investors themselves.

Verma (2008) studied the impact of demographics and personality on Indian investor investment choices and discovered that mutual funds were common among practitioners, students and self-employed people. By not investing in mutual funds and equity shares, retirees exhibited their risk aversion. It was also discovered that the level of comprehension of investment complexities was greater in higher education. Graduates and above preferred to invest in both equity and mutual funds.

Nagpal and Bodla (2009) Studied respondent's lifestyle traits and impact on investment preferences. The research concludes that the lifestyle of investors predominantly determines investors' risk-taking ability. The research discovered that the individual shareholders prefer less risky investments, i.e. life insurance policies, fixed deposits with banks and post office, PPF and NSC, despite the phenomenal development in the safety sector.

Brahma Bhatt, P.S. Raghu Kumari, Dr. Shamira Malekar in their research on investor behavior in investment avenues in Mumbai (September 2012), individuals like to invest in the stock market even if they are facing enormous losses. They offer savings a greater preference for safety but at the same moment want greater interest in shorter period at low danger.

Davar and Gill (2009) studied the fundamental dimensions of the choice of various investment avenues for families were explored. The research findings indicated emphasis for all investment avenues on familiarity, satisfaction, opinion, and demographic dimensions.

Giridhari Mohanta, Dr. Sathya Swaroop Debasishin their study showed that the income and employment of male and female investors play an important role in selecting investment avenues

More male investors are involved in selecting avenues than female and in both respects, they are generally sound than female investors.

Dr. D. Harikanth, B. Pragathi this study shows that there is a significant role of income and occupation in the choice of investment avenues by male and female investors, for which a systematic review was carried out by taking into consideration primary data obtained by the means of standardized questionnaire and secondary information.

J. Sidharthul Munthaga, Dr.M. Nazer the study on people's choice in Investment Choices has been undertaken with the objective, to analyze the investment choice of people in Thanjavur District. Analysis of the study was undertaken with the help of survey conducted. After analysis and interpretation of data it is concluded that in Thanjavur District respondents are medium aware about various investment choices but they do not know aware about stock market, equity, bond and debentures. The study is conducted by taking a limited number of sample sizes which is stated earlier. And this study reflects the exceptions of those respondents who are residing in Thanjavur District.

Neha S Shukla through this research paper, an analysis has been made about investor's preference towards investment avenues & the study focused on the salaried personnel only. Though different respondents invest in different avenues, it was evident that they tend to invest much in Fixed Deposits, Post office scheme and Gold and Silver. Majority of respondents invest for purchasing home and long-term growth.

Sonali Patil, Dr. Kalpana Nandawar, their study is based on primary sources of data which are collected by distribution of a close ended questionnaire. The data has been analyzed using percentage, chi-square test, and Person Correlation Coefficient with the help of statistical software. The researcher has analyzed that salaried employees consider the safety as well as good return on investment on regular basis. Respondents are aware about the investment avenues available in India except female investors.

6. RESEARCH METHODOLOGY

In this study survey method was used to collect the primary data from the Young Investors. A simplified questionnaire was prepared which had an aim of understanding the preferences of young investors.

In total 140 questionnaire were distributed, out which only 119 responses were authentic.

The participants were asked to fill demographic details such (age, gender, occupation, qualification) and the other questions were asked related to their investment preferences among various investment avenues such as (Mutual Fund, Equity Market, Bank Deposits, Post Office Deposits etc.)

The analysis was carried by the help Statistical Package of Social Science (SPSS). Percentage Analysis and Independent T-Test and One Way Anova Test were being used. Independent T- Test is used in relationship between Gender and Investment preferences because of only two groups are present i.e. (male and female) and One Way Anova Test was used in the comparison of Age Group and Investment Preference, it was used because there are more than two groups in age.

7. INTERPRETATION& FINDINGS

Demographic Variables	Category	Percentage
Gender	Male	58.2%
	Female	41.8%
Age (in Years)	21-25	60.9%
	25-30	13.6%
	30-35	25.5%
Job/Occupation	Salaried	35.8%
	Business	15%
	Housewife	9.1%
	Student	14.5%
	Professional	25.5%

INVEST_PRE-Frequencies

		Responses		Percent of Cases
		N	Percent	
IN WHICH ASSET YOU INVEST	PRE_MF	79	32.5%	71.8%
	PRE_EQ	62	25.5%	56.4%
	PRE_BD	45	18.5%	40.9%
	PRE_PO	15	6.2%	13.6%
	PRE_RE	20	8.2%	18.2%
	PRE_GOLD	22	9.1%	20.0%
Total		243	100.0%	220.9%

Table1.1

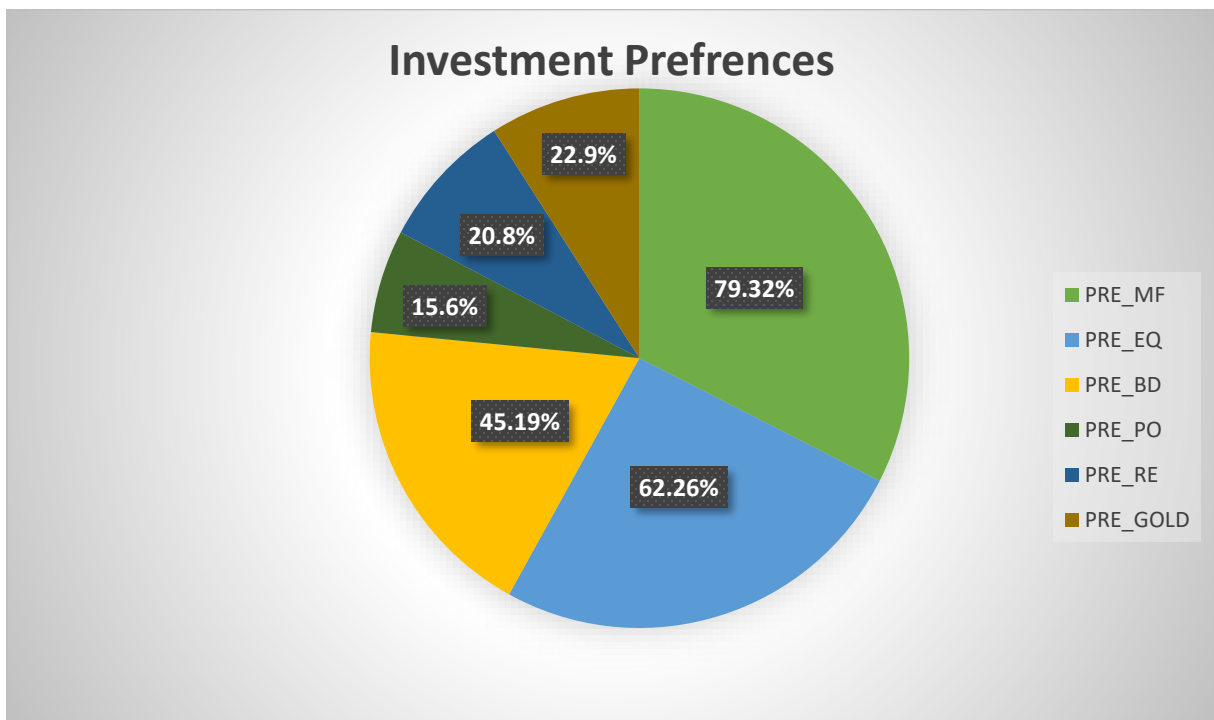


Table 1.1 shows the various preferences among the young investors, by the above data it is being seen that the investors are more inclined towards Mutual Fund, Equity Market rather than going for traditional investment opportunities such as bank deposits, post office deposits, gold and real estate.

SECTOR_PREFERNCE

	Freque ncy	Percent	Valid Percent	Cumulative Percent
PRIVATE	57	51.8	51.8	51.8
PUBLIC	27	24.5	24.5	76.4
GOVERNMENT	26	23.6	23.6	100.0
Total	110	100.0	100.0	

Table 1.2

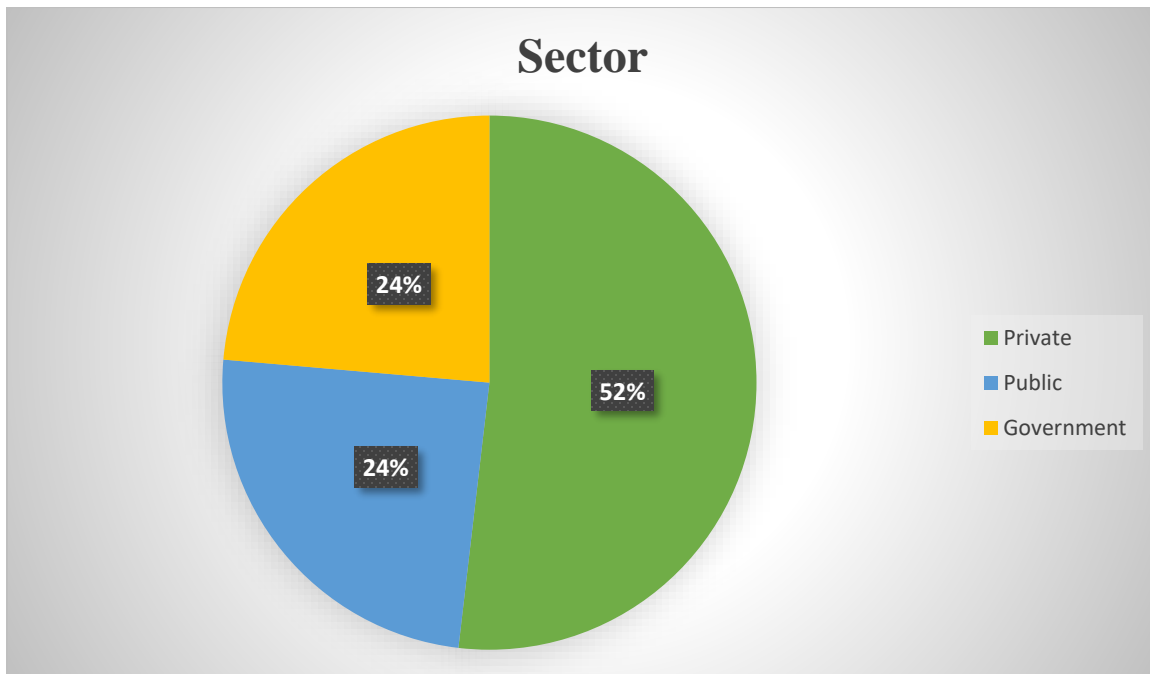


Table 1.2 shows that investors are moving towards private sectors investments because the companies are offering are good returns on their investments and due to the Financial conditions of the Public and Government sector and also because of the increased frauds in these sectors.

In below table, the Independent Variable is Gender and the dependent variable is the Profitability in equity Market and Mutual Fund is Higher than other avenues

INDEPENDENT SAMPLES TEST

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Do you think Investing in Mutual Funds and Equity Market is more profitable than other avenues [Response]	Equal variances assumed	.259	.612	-.108	108	.915
	Equal variances not assumed			-.108	99.766	.914

In above table, the independent variable is Gender and the dependent variable is the profitability in equity market and Mutual Fund, as we can see in the above that the significance value is greater .05 so the H0 gets accepted in the above case that is “There is no significance difference between gender while choosing Investment avenue like Equity and Mutual Fund”

ANOVA

In below table, the Independent Variable is Age and the dependent variable is the Profitability in equity Market and Mutual Fund is Higher than other avenues

Do you think Investing in Mutual Funds and Equity Market is more profitable than other avenues

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.122	2	1.561	2.887	.060
Within Groups	57.869	107	.541		
Total	60.991	109			

In the above table, the Independent Variable is Age Group and the dependent variable is profitability in equity market and Mutual Fund, as mentioned in above table the significance value is greater than 0.05, in that case the H0 gets

accepted that “There is no significance difference among the Age Group while Investing in Equity and Mutual Fund”

8. CONCLUSION

The primary aim of this research was to analyze the investment preference of the young generation of the Raipur city, from the study the result is that the Young Investors are more inclined towards investment avenues like Mutual Fund, Equity Market for maximizing their capital but still some of the people are interested in less dangerous options like Bank Deposits and Post office Deposits, and also these tools are used by the other investors because of its safety. While conducting this study it was also founded that 32 % of the Young Generation is inclined towards Mutual Fund and 25% of the Young Generation is inclined towards Equity Market and there is much significance between risk level and investment avenue selection and it was also found that the young generation is not bounded by the time horizon factor i.e. Long Term or Short Term instead they are focused gaining higher returns irrespective to time horizon. The young generation is ready take a good risk for getting good returns and they have stopped following traditional method of investment.

9. LIMITATIONS OF THE STUDY

- The research is limited to a particular city. People in different cities may have difference in their investment preferences and opinions.
- Results of the study may not be completely generalizable because the sample size was restricted to 119 respondents.
- The study has been conducted to primary level and has not considered all the investment avenues.
- As we know that young generation doesn't contribute much in equity market further the research can be done on the professionals who regularly trades in equity market.
- The study has been conducted in a city where most of personnel belong to business background, they still have a mentality of going for investment avenues like Real Estate, Gold.

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