

A Study on Investment Preference by the People in Lucknow City, India

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Abstract:- People nowadays are becoming more financially aware of the various investment options available be it debt, equity, mutual funds or the high-end investment options like portfolio management system or real estate, etc. Researchers have tried to study how the behavior of people affects their investment focusing on each option separately particularly mutual funds. However, this study primarily focuses on the need to understand that which are the deciding factors that play a major role while selecting from the basket of investment avenues. Also, this study is done in Lucknow city, India by the means of collecting primary sources of data through the distribution of a close-ended questionnaire.

Keywords:- Investment Pattern, Behavior, Factors, Preference.

I. INTRODUCTION

There has been a gradual increase in the financial literacy in India, the reason being the coming up of wealth management agencies as well as various financial institutions providing people with investment-related services. There can be seen an evident shift in the mindset of people where earlier they used to save and keep money in banks or at home now, they want to invest that money and grow. Also, when it comes to choosing an option there is a deviation from the traditional method of saving in a fixed deposit or fixed income securities to the product like mutual funds, real estate or as simple as term insurance.

When it comes to investment it is seen that perception of one's risk-bearing capacity plays a major role in the selection of a particular investment option. Other than that income, savings, the objective of investment and expectation of returns remain secondary.

A. Need for the Study

This study will try to throw light on the different aspects people consider while investing. Also, it helps in understanding their behavior and drawing a conclusion from the pattern. This study is restricted to the people of Lucknow.

B. Research Objective

The objective of the study is as follows:

- To analyze the investment pattern of individuals and how factors like age, savings, current financial position, objective and liquidity affect it.

- To know which among the available options is the most preferred one by the people residing in Lucknow city.

II. LITERATURE REVIEW

V.R Palanivelu & K. Chandrakumar (2013) examine the choices of investment preferred by the salaried class people of Namakkal Taluk, Tamil Nadu, India. They take a sample size of 100 to show how factors like age, income, etc come into play while making an investment decision.

Avinash Kumar Singh (2006) this study analyzed the behavior of people and their awareness towards various investment options in Bangalore & Bhubaneswar city. Are people aware of the risk associated with each security? The method used for the research was the survey method.

Karthikeyan (2001) researched small investors w.r.t their perception and awareness about Kisan Vikas Patra, National Savings Scheme, and Deposit Scheme for Retired people. It was seen that the old-age people had higher knowledge in comparison to the young ones.

Manish Mittal and Vyas (2008) Investors do not act rationally when it comes to investment there always is some emotional weakness that acts as a barrier. They hold biases that result in each one processing the information differently while making an investment decision.

III. RESEARCH METHODOLOGY

A. Research Design

The research design is exploratory until the identification of the most preferred option. Later it becomes descriptive when it comes to evaluating investors' perception of various investment avenues.

B. Sampling Plan

Since it is not possible to study the whole universe, it becomes necessary to take a sample from the universe to know about its characteristics.

- Sampling units: People of Lucknow
- Sample Technique: Random Sampling
- Research Instrument: Structured Questionnaire
- Contact Method: Online link was shared to gather the information.

C. Sample Size

The survey was conducted in the city of Lucknow 51 people as respondents.

D. Data Collection Tool

The primary data was collected through a survey. Questionnaires were prepared and a link was shared with people to fill up the data to gather the information. The questionnaire contains 10 questions that reflect on the people’s preference based upon the various investment options. The response of the respondent was recorded, and the information then collected was analyzed.

E. Data Analysis Tools

These are the various tools that were used to analyze and interpret the data:

- Diagrams
- Charts

F. Limitation of the Strategy

- This study is confined to a specific location and with a very small number of respondents.
- The findings cannot be treated as representative of the entire universe.
- Respondents may have given biased answers required for the data.
- In our study, we have included only 51 people because of the limit.

IV. DATA ANALYSIS AND INTERPRETATION

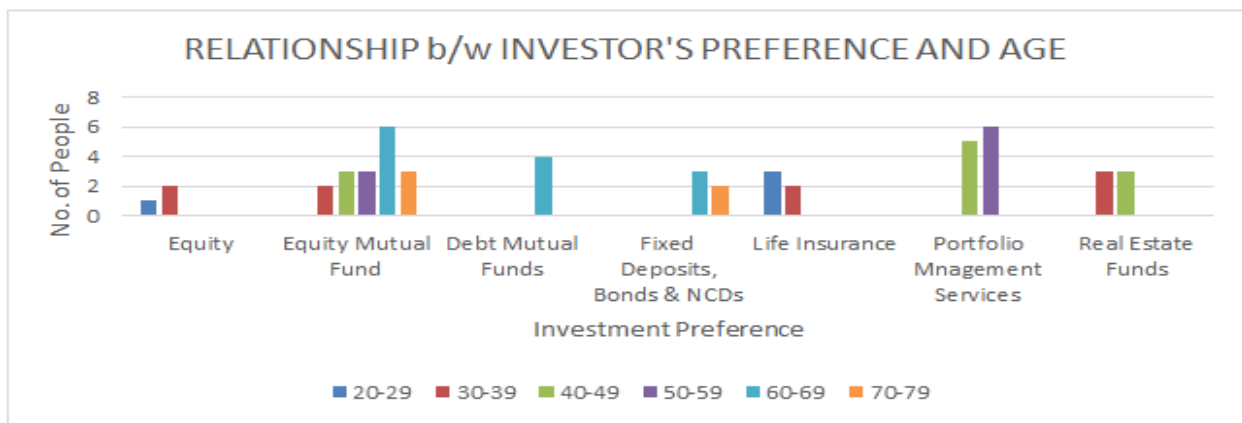


Fig 1

➤ **Interpretation-1**

The people which fall in the age group of 20-29 and 30-39 are the only once that prefer to invest money in equity whereas the people that fall in the age-group 60-69 are the only once that mostly prefer to invest money debt mutual funds.

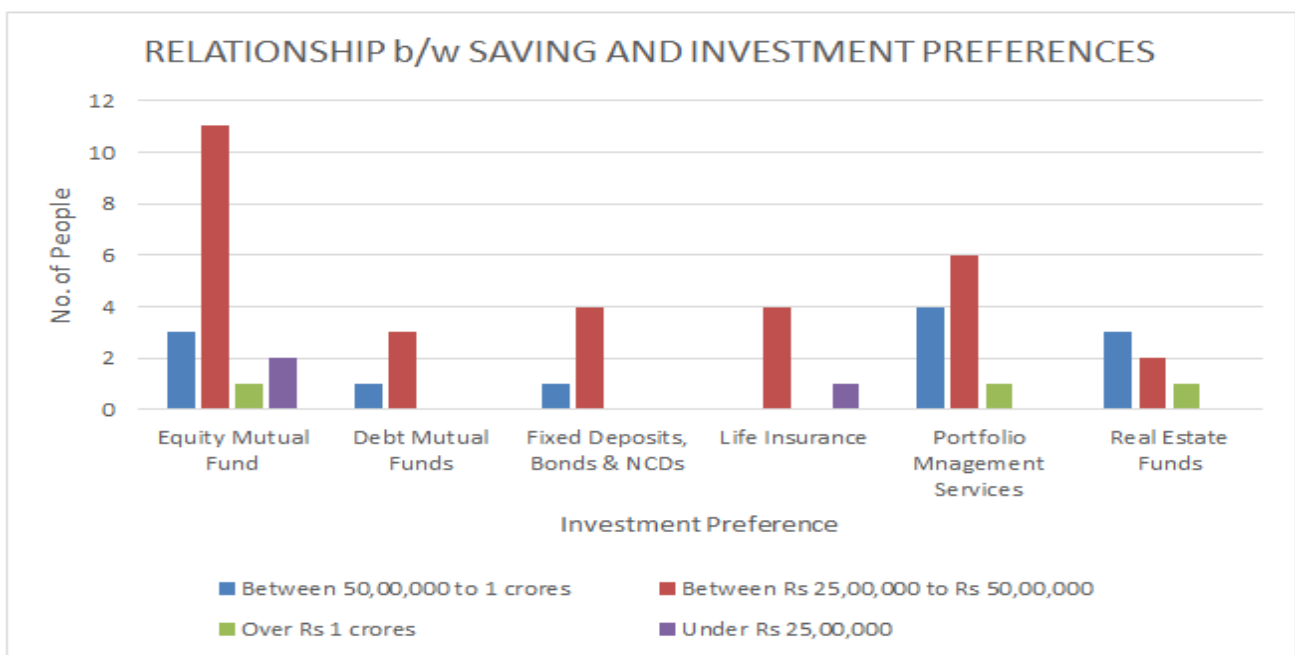


Fig 2

➤ Interpretation-2

The people with current annual savings between Rs 25,00,000 to Rs 50,00,000 mostly invest in equity mutual funds whereas people whose savings are under Rs 25,00,000 invest in life insurance.

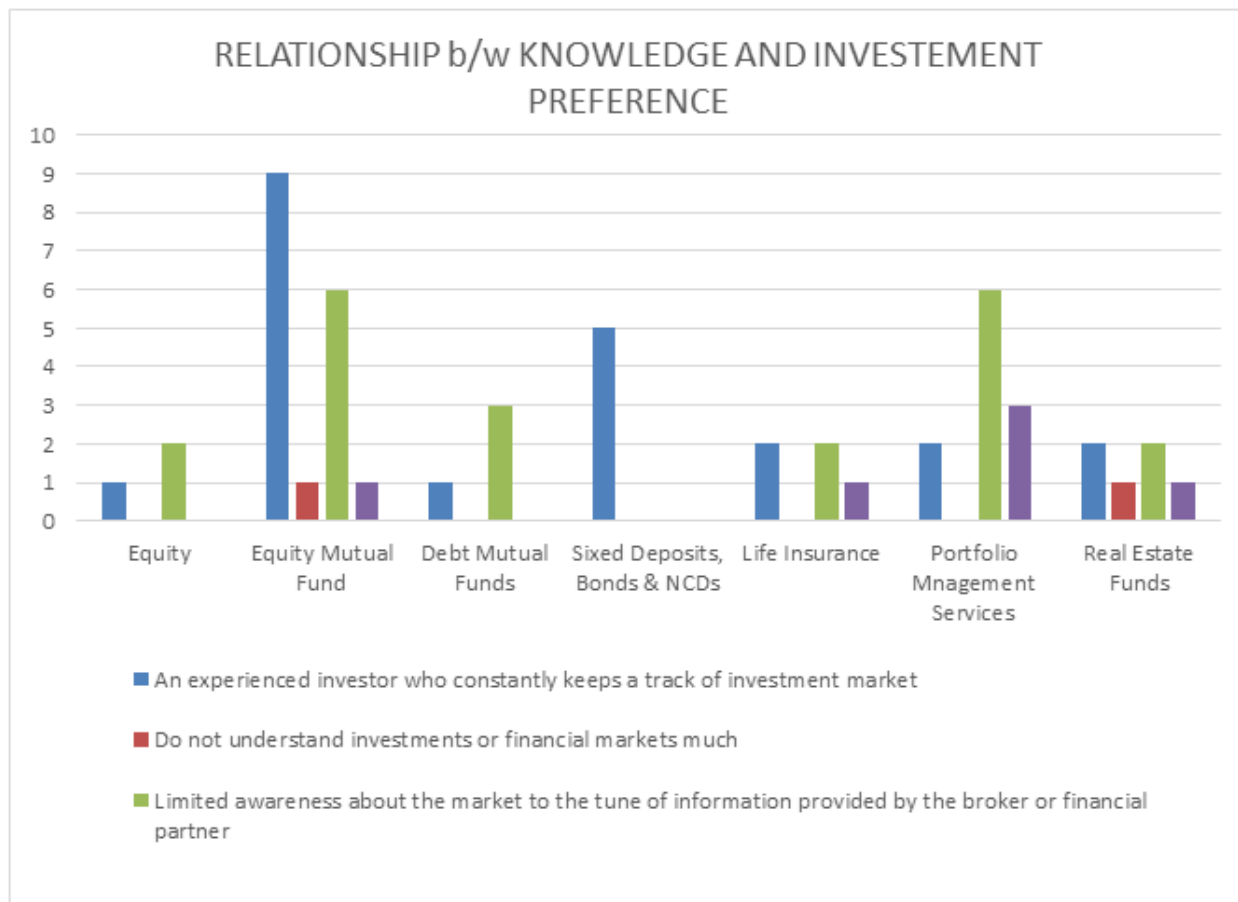


Fig 3

➤ Interpretation-3

When it comes to investment knowledge both an experienced investor as well as an investor with no knowledge of investment prefers to invest in equity mutual fund.

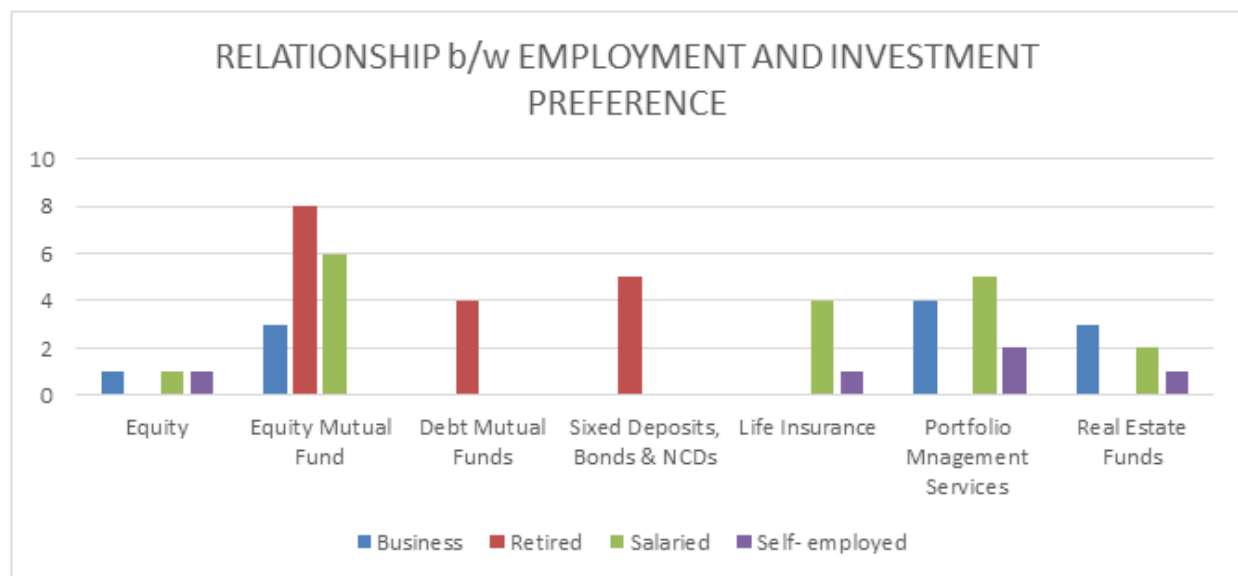


Fig 4

➤ Interpretation-4

A person who is retired is the only one who wants to invest in debt instruments as well as mutual funds and not at all in equity.

V. FINDINGS AND LEARNINGS

- The most preferred investment avenue is Equity Mutual Fund.
- Investors who fall in age between 20 to 40 mostly prefer Equity and Mutual funds. Whereas, investors above 60 mostly showed their maximum interest in debt-related and less risky assets.
- Investors whose annual savings is more than 25L and less than 50L, mostly choose Equity Mutual fund as their best asset option. On the other hand, those who have their savings less than 25L prefer life insurance as their investment option.
- It can be observed that irrespective of knowledge about various investment assets, all the investors prefer Equity Mutual Fund.
- Employees who got retired do not prefer equity at all, rather they do prefer mutual funds and debt instruments.

VI. SUGGESTIONS

- Nowadays, it can be observed that customers are not focusing on traditional investments and they started investing in a diversified manner. Hence, they expect good returns and organizations must fulfill their expectations.
- Workshops based on financial planning should be conducted across different stages of life for investors.
- It is also very important for the Government of India to establish investor's counseling cells which should be managed by experts, to guide and educate people about the management of finance. As a result, through these cells, it becomes very easy to erase all the myths regarding investment and boost financial welfare.

VII. CONCLUSION

With the improvement in the standard of living, people must start to save and invest keeping in mind their financial knowledge and goals whether it is short term or long term (M & N, 2011). People are risk-averse and favor safety with tax benefits, liquidity with high returns along with fewer lock-in periods, the findings supported by different studies (Bindu, 2017; Parimalakanthi & Kumar, 2015; Viranani, 2013).

However, due to the limitation of funds, sample size and sample frame are limited to 51 and Lucknow city, respectively. Due to the constraint of time, the responses of the respondents could not be double-checked. A more significant sample with scope for cross-reference is needed to get a better understanding of the psyche of investors. As it is a small subset, the results cannot be generalized.

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ANNEXURE: 1

❖ Investor Profiler Questionnaire

PERSON'S NAME:

AGE:

➤ Personal information

1. Which of the following best describes your employment circumstance?

- Salaried
- Self-employed
- Business
- Retired

2. Your current annual family savings:

- Under Rs 25, 00,000
- Between Rs 25,00,000 to Rs 50,00,000
- Between Rs 50,00,000 to 1 crores
- Over Rs 1 crores

3. How long will your present savings support you, assuming your current income was to stop today:

- < 1 year
- 1-3 years
- 3-5 years
- 5-10 years

➤ *Investment experience and knowledge*

4. Which of the following best describes your level of investment knowledge?

- An experienced investor who constantly keeps a track of the investment market
- Limited awareness about the market to the tune of information provided by the broker or financial partner
- Want to build my knowledge and understanding of the investment market. Little awareness as of now
- Do not understand investments or financial markets much.

5. From the list of investment choices which one would you prefer to invest in or have invested in:

- Fixed deposits, Bonds & NCDs
- Debt Mutual fund
- Equity Mutual fund
- Real Estate funds
- Equity
- Portfolio Management Services
- Life Insurance

➤ *Financial objectives and time horizon*

6. Which of these objectives is most important to you from an investment perspective?

- Preservation of capital
- Generating regular income to meet current requirements
- Balance current income and long-term growth
- Long term growth

➤ *Attitude towards risk*

7. Your preferred strategy of managing investment risk is:

- Do not reduce it as investment risk leads to higher returns over the long term
- To have a diversified investment portfolio to minimize risk
- To mainly invest in a capital stable investment
- Do not understand “investment risk”; would rely on my financial planner

8. How would you define your willingness to experience short term losses/volatility with the intent to generate higher returns?

- Very comfortable
- Somewhat comfortable, with the assumption that there is limited volatility
- Little comfortable with fluctuations in my investments
- More comfortable with investments that have minimum volatility