STUDY ON MAJOR INVESTMENT PREFERENCES OF INDIAN INVESTORS

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ABSTRACT

The purpose of this study was to analyse the preferences of investors in the Indian share market and other investment options available in the market. Many factors including risk awareness, investment time horizon, mode of trading, objectives of investment, usage of fundamental & technical analysis before investment, sources of information, etc. which affect the investment decisions are analysed through this research. The study is carried out using only the primary data collected by convenience sampling technique through a survey of 204 respondents from different regions of India but majorly from Gujarat State. Parametric and Non-parametric tests are applied to the data using SPSS software to analyse the effects of different variables. The study concluded that income levels and risk involvement highly affect the investment decision of an investor. Also, the usage of fundamental and technical analysis is important before making any investment. Another big conclusion is that returns are the major objective of maximum investors. Fixed deposit is the most preferred investment option according to the respondents.

Keywords: Indian Investors, Primary Data, Investment decisions

1. INTRODUCTION

The preferences of investors for investing in different sectors depend on many factors. The expected return of an investment is also a big factor affecting the investing decisions. The market risk premium required by the investors is always higher than risk-free rate to compensate the additional risks taken by an investor. The theories and analysis techniques are always used for estimating the possible returns to be generated from different investment plans. Major techniques are Fundamental & Technical Analysis, which are used for long term and short term predictions respectively. Once the future prices are estimated, valuation of stock is carried out to find out the intrinsic values of the stock and whether it is undervalued or overvalued. On this basis the investment recommendations can be made to the investors. The objective of each investor is different in the investment market as the requirement varies according to sentiments. Rather than making blind investments just by the sentiments, one should consider the analysis approach for finding out the proper investment strategy. Different investment avenues are considered here such as: Fixed deposits, Savings bank A/c, Insurance, Equity market, Debt market, Commodities, Government securities, Post office A/c, Real estate, mutual funds and crypto-currency. Respondents are considered from different age groups.

2. LITERATURE REVIEW

• AdeeelMaqbool& Sayed Zafar (2013), concluded that the most important variable while investing are past performance of the company, assets of the company and the age of company. The major finding was that there is no significant relationship between the age and the level of satisfaction towards investors.

• Shinki Pandey &AbhishekVishwakarma (2020), concluded that the young generation is not bounded by the time horizon factor whether it is long term or short term, they are just focused gaining higher returns irrespective to time horizon. The young generation is ready to take a good risk getting good returns and they have stopped following traditional method of investment.

• Anu.G.S (2019), examined thatBanks are perceived as the top favoured enthusiasm for Kerala. The Keralites gives more preference to Non risky investments while compare with Risky investments.The investigation endeavoured to associate venture inclination and its main impetuses. This was done to distinguish whether the degree of investment inclination impacts the method of investments favoured by the respondents.

- PratibhaChaurasia (2017), concluded thatthe most preferred investment avenue is fixed deposit which reflects conservatism and lack of awareness among the investors of various investment avenues. The least preferred investment avenue is capital market debt instruments. Again, this reflects fear and lack of confidence among investors of the Indian Capital Markets.
- Vikrant Vala, Dr. S.O. Junare, Dr. Ashish Joshi (2021), concluded that the factors that affect the investment decision of equity SIP are the fund nature, company service, role of advisor and investor service. The study shows how appealing the MFs are to an investor, and the explanation for investing in MFs is the basis for the researcher's personal observation; the following suggestions have made changes in peoples' mindset about MFs as an investment avenue. In addition, the study would be helpful for the investors who want to enter into the capital market through SIP.

3. PROBLEM STATEMENT:

Investors' sentiments are the major driving factors in today's world when they approach the investments which ultimately results into poor decisions and losing out money. The preferences should be based on some analysis or logical reasoning which are mostly ignored by the investors. Different factors affect the investment decisions.

4. OBJECTIVES OF THE STUDY

- To find out the effects of different factors on investment decisions.
- To analyze the different investing avenues available in the market.
- Considerations taken by investors before investment like Fundamental & Technical analysis.
- To analyze the investment time horizon preferred the most by the investors.
- To examine relationships between the factors affecting investment decisions.

5. RESEARCH METHODOLOGY

- **Research Design:** The research is based totally on primary data and is analytical in nature.
- **Data Sources:** The primary data is collected through the survey of 204 respondents from different regions in India but majorly from Gujarat State.
- **Sampling Size & Technique:** Data is collected through convenience sampling technique from 204 respondents considering all are investors.

6. DATA ANALYSIS & INTERPRETATION

DESCRIPTIVE ANALYSIS:
➢ **Analysis of Demographic Attributes:**
Table 2: Table showing analysis of Frequency Distribution of Demographic Attributes from primary data:

Up to		Age				
		Upto 20 years	20 to 30 years	30 to 40 years	40 to 50 years	Above 50 years
Gender	Male	13	60	25	14	10
	Female	10	57	12	3	0
Occupation	Student	22	86	0	0	0
	Private Employee	0	13	9	2	0
	Government Employee	0	3	13	4	1
	Business	1	8	6	7	6
	Professional	0	4	5	3	2
	Housewife	0	2	3	1	0
	Retired person	0	0	1	0	1
	Other	0	1	0	0	0

(Source: SPSS output)

- In the demographic analysis, it is found that male respondents are almost 60% which is 1.5 times the female respondents (40%) by which one can conclude that investments are made more by males then by females.

- The majority of respondents (57%) are from the age group 20 to 30 years. And this category is followed by the age group of 30 to 40 years (18%). The least respondents are from the age group Above 50 years (5%).

INFERENTIAL ANALYSIS:

➢ **Chi-Square Test-1**
Age groups and investors use Fundamental & Technical analysis before investing.
Null Hypothesis (H0): Most People do not use Fundamental & Technical analysis before investing.
Alternate Hypothesis (H1): Most People use Fundamental & Technical analysis before investing.
Table 3: Tables showing analysis of age groups using Fundamental & Technical Analysis

Count		Used Fundamental & Technical Analysis * Age Cross tabulation					
		Age					Total
		UpUp to0 years	20 to 30 years	30 to 40 years	40 to 50 years	Above 50 years	
Used Fundamental & Technical Analysis	Yes	15	90	35	16	7	163
	No	8	27	2	1	3	41
Total		23	117	37	17	10	204

Test Statistics

	Age	Used_Fundamental&Technical_Analysis
Chi-Square	187.569[a]	72.961[b]
Df	4	1
Asymp. Sig.	.000	**.000**
a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 40.8.		
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 102.0.		

- The age group of 20 to 30 years uses the Fundamental & Technical analysis the most (57%) among all. The least investors from the age group Above 50 years use the fundamental & technical analysis the least (5%) among all others. In total 80% of investors use fundamental & technical analysis.
Answer: Here, the value of Chi-Square P-value (.000) is less than the value of alpha (0.05). Thus, H0 is rejected. **Hence, we can conclude that most investors use Fundamental & Technical analysis before investing.**

➢ **Chi-Square Test-2**

Effects of Risk Aversion on Investment time horizon.

Null Hypothesis (H0): Awareness of Risk involvement does not decrease the Investment Time Horizon.
Alternate Hypothesis (H1): Awareness of Risk involvement decreases the Investment Time Horizon.

Table 4: Tables showing analysis of Investment time horizon affected by the Risk Awareness

Risk_Awareness			
	Observed N	Expected N	Residual
Yes	131	68.0	63.0
No	16	68.0	-52.0
Maybe	57	68.0	-11.0
Total	204		

Time_horizon			
	Observed N	**Expected N**	**Residual**
Less than 1 year	32	51.0	-19.0
1 to 3 years	78	51.0	27.0
3 to 5 years	54	51.0	3.0
5+ years	40	51.0	-11.0
Total	204		
Test Statistics			
		Risk_Awareness	**Time_horizon**
Chi-Square		99.912[a]	23.922[b]
Df		2	3
Asymp. Sig.		**.000**	**.000**

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 68.0.
b. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 51.0.

- Among all the respondents, 64% of investors are aware of the involvement of risks while 8% are unaware of the risks involved. 28% of investors are not sure of risk awareness.
- The time horizon preferred by the investors is highest in the category of 3 to 5 years (38%). Followed by the 3 to 5 years category (26%). The least preferred time horizon is Less than 1 year (16%).

Answer: Here, the value of Chi-square P-value (.000) is less than the value of alpha (0.05).
Thus, H0 is rejected. Hence, we can conclude that Awareness of Risk involvement decreases the Investment Time Horizon of the investors.

➢ **Paired Samples T-test**
Effects of Income level on the percentage of income invested.
Null Hypothesis (H0): The percentage of income invested does not increase with the higher income level.
Alternate Hypothesis (H1): The percentage of income invested increases with the higher income level.
Table 5: Tables showing paired sample T-test for income invested affected by income level

Paired Samples Correlations			
	N	Correlation	Sig.
Pair 1 Income & Percentage_Invested	204	.626	**.000**

Paired Samples Test								
	Paired Differences					**t**	**df**	**Sig. (2-tailed)**
	Mean	**Std. Deviation**	**Std. Error Mean**	**95% Confidence Interval of the Difference**				
				Lower	Upper			
Pair 1 Income - Percentage_Invested	-.152	1.097	.077	-.303	-.001	-1.979	203	.049

- The paired sample T-test explains the correlation between these 2 variables as highly correlated as the value of correlation is 0.626. Also, the P-value of paired sample correlation (.000) is lower than the value of alpha (0.05). Here, the value of Paired Samples Test P-value (.049) is less than the value of alpha (0.05). Also, the higher correlation between the 2 variables shows that both are positively correlated. Thus, H0 is rejected. Hence, we can conclude that the percentage of income invested increases with a higher income level.

7. FINDINGS

• The demographic attributes show that investments are made more by a male as compared to females. From the primary data analysis, using Chi-square test 1, it is concluded that Most of the investors use Fundamental & Technical Analysis before investing.

• Further it is concluded that the awareness of Risk involvement in the investment option affects and decreases your investment time horizon in the same stock. Paired samples T-test is used to conclude that the percentage of income invested is positively correlated with the higher income levels. Graphical representation of modes of trading clearly shows that the most preferred mode for trading is Online Trading.

8. CONCLUSIONS

• From this study researcher can easily conclude that young investors are more nowadays compared to the experienced investors. As the most investors are from the age category of 20 to 30 years. Also more than half of the respondents are students. The majority of investors considering the gender demographic are males. The most preferred mode of trading is online trading as selected by most of the respondents.

• Through Non-parametric tests it was concluded that most investors use Fundamental & Technical analysis before investing. Chi-square test 2 concludes that Awareness of Risk involvement decreases the Investment Time Horizon of the investors. Correlation test stated that the percentage of income invested increases with a higher income level as both the variables are highly and positively correlated.

• Another observation made through the obtained data is that Returns is the major investment objective preferred by most of the investors over capital gains. Also the largest part of investment ideas and advices come from the family and friends according to the respondents. The last conclusion can be made that all these factors highly affect the investment decisions of the investor and the required rate of return.

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