

A Review Paper on Investment Behaviour of Indian Individuals

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ABSTRACT

Investment may be defined as employment of funds with the aim of getting future benefits. Every individual wants to save a portion of their income to meet their future needs like retirement benefit, children's education, children's marriage or to make their future life comfort. Thus this paper aims to carry out a literature review that has analyzed the investment behaviour of Indian individuals.

To achieve objective a total of eleven studies since last five years has been analyzed, on the basis of which it may be concluded that In India, even in modern time people are risk averse. Only highly educated people aware about new investment avenues and feel comfort to make investment in it.

Key Words: *Investment Behaviour, Individual, Risk and Return, Indian*

INTRODUCTION

Investment activities undertaken by the people are considered as essential prerequisite for capital formation and faster growth of an economy, especially in case of developing economy like India. Investment is a financial asset purchased with an idea, that the asset will provide income in future. In the words of Jane Cowdell, Mark Billings, 2001, the amount of investment made in different sections, is the most important determinant of the growth of an economy. Both the private and public sector investment needs are largely satisfied by the flow of funds from the general public. India, being a developing country, requires capital formation through savings and investments.

Investment may be defined as an employment of funds with the aim of achieving additional growth, in value or additional income. Investment refers to the accumulation of some kind of asset with hope to get a return from it.

OBJECTIVES OF THE STUDY

The main objective of this study is to critically evaluate the past five year literatures on investment behaviour of individuals in India.

RESEARCH METHODOLOGY

For this study various research papers, thesis and dissertations has been studied to make a critical evaluation on investment behaviour of Indian individuals.

REVIEW OF LITERATURE

During the last few years, there are a lot of studies conducted to know the investment behaviour of individuals. Through this paper researcher made an attempt to study the investment behaviour of Indian individuals in last five years through its literature.

Sireesha et al (2013) conducted a study on “Impact of demographics on select investment avenues: a case study of twin cities of Hyderabad and Secunderabad, India”. This study reveals the impact of demographic factors on selection of investment avenues by the investors. A sample of 165 respondents with different age, income level, occupation was selected randomly from the cities of Hyderabad and Secunderabad. The main aim of this study was to know the preferences of the investors. The study concluded that the investors prefer to invest their savings in bank and post office saving schemes. They do not call for high returns or capital appreciation but they only need to make their money safe. This study suggested to wealth manager to design portfolio according to income of their clients.

Sharma et al (2013) carried out “An Empirical Study of Gender Differences in Risk Aversion and Overconfidence in Investment Decision making” in New Delhi. The intention of the study is to know the gender effects on risk aversion and overconfidence in investment decision making. Data was collected through a well structured questionnaire from 168 respondents. To get result

Chi-square test was used. This study reveals that the females are more risk averse than males. It is also concluded that females are not confident about their investment decision and they could not reach to any decision independently.

Bhushan, P. (2014) in his paper entitled “Relationship between Financial Literacy and Investment Behaviour of Salaried Individuals” in Uttarakhand, an attempt has been made to examine the relationship between financial literacy and investment behaviour of salaried individuals pertaining to financial products. This study was based on 516 responses collected through a well structured questionnaire. To measure financial literacy OECD model was used. This study revealed that respondents with high financial literacy are more aware about traditional as well as new investment alternatives whereas respondents with low literacy are aware about traditional and safe investment alternative. Majority of literate respondents prefer to invest in new investment alternative whereas less literate respondents prefer traditional and safe investment alternative.

Veeramani et al (2014) did an analytical study on “Risk Perception and Return for Individual Investment” in Chennai. The objective of this study was to gain knowledge about key factors that influence investment behaviour and the ways these factors impact investment risk tolerance and decision making process among men and women and among different age groups. 50 respondents were selected on the basis of their annual income, their profession and their amount of investment. In this study it is highlighted that investing is not a game but a serious matter, on which investor’s future depends. Researcher found that investors’ perception on the total investment risk and return predominantly decides the capacity of investors.

Sood, M. D., & Kaur, N. (2015) in their paper entitled “Demography and Indian Investors–The Big Picture” in Punjab, it was found that people save money for many reasons such as children’s education, their marriage and other goals of life. The purpose of this paper is to find out the various demographic factors in India (Punjab and Chandigarh) and to examine the effect of demographic factors on investor’s level of awareness regarding the various modes of investment. 600 investors were analyzed for this study and it was concluded that people still prefer to invest

their savings in traditional investment channels due to lack of knowledge in stock and commodity markets.

Thulasipriya (2015) conducted a study in Coimbatore on “investment performance of government employees” based on ANOVA Test, t-test and Freidman’s Ranking Analysis. Researcher found that employees who educated, salaried and independent preferred investment that tax benefit, security and safety, high return, liquidity and so on but as the government employee prefer to invest their money in private chits, private deposit and equity shares. Finally, the researcher concluded that investing in private chit is highly risky.

Chaudhry, S. (2016) conducted a research on “Behaviour Perception and Performance of Investment Professionals in Mutual Fund Industry” in Noida (India). The purpose of this paper is to know the perception of the investment advisors and also their selection criteria. Conjoint analysis was used to know the selection criterion. This study concluded that the advisors consider expense ratio as the most important attribute for scheme selection followed by rating and investment style of the fund manager.

Pillai, R. (2016) in his research work conducted in Gujarat entitled “Consumer Behaviour towards Investment options for Wealth Creation” a samples of 518 respondents was taken. Broad objective of the research was to understand the factors that influence an individual’s investment decisions and the impact of these decisions on the wealth creation. The research indicated that the perception about saving varies with the demographic parameters. The research also concluded that the individual investors lacking complete understanding about the present and future investment markets, fails to invest objectively & resulting into mediocre wealth plan.

Garg, P. A., et al. (2017) the researcher made a study entitled “a study of income and saving patterns on usage of banking services by working women”. This study focuses on demographic profile of the working women in Delhi NCR India and its relationship with changing trends of earning and saving behaviour through banking financial services. The results showed that there is a significant relationship between demographic variables and financial services offered by banks. The study recommended the banks to tailor make their efforts to attract working women of

different income earners for their savings need. Income and saving directly have an impact on the usage of banking services by an individual.

Rohini, I. A. (2017) in his survey entitled “investors preferences for investment in financial market a study in Uttarakhand” which was surveyed on 600 individual investors. This study aims to know the investment behaviour and the factors which influence the behaviour of investors in Uttarakhand. This study reveals that the individual investors in Uttarakhand are risk averse; they want to invest in safe option with high return. And the factor which influences the majority of investor’s behaviour is Electronic/Print Media. The study also reveals that the investors prefer all the factors equally, followed by safety. Five research hypotheses were framed by the researcher, and after analysis it was found that the entire hypothesis was accepted in this research.

Singh, M. Y., & Kaur, M. S. (2018) in their study “A Study of Investment Pattern & Gender Difference in Investment Behaviour of the Residents- An Empirical Study in and Around Mohali”, researcher made an attempt to find the behaviour of individual investors of Mohali vis-a-vis available investment avenues in the Indian financial markets and where do they prefer to invest whether in equity, fixed deposits, post office, insurance policies, bonds, mutual funds, etc. For this study primary data were collected through questionnaire and personal interview of 200 respondents. They concluded that married women are more curious in making investment than the unmarried. Young age investors wish to invest in fixed deposits, mutual funds, shares and insurance than the older ones whereas middle aged investors prefer to invest in real estate.

CONCLUSION

From the above study it may be concluded that investment behavior of individuals varies with their age, occupation, gender, awareness, literacy level etc. In India, many of the people are not much aware about investments, thus there is a need to make them aware by providing education, training programs etc. In financial products- Bank and Post office savings & in non financial products- gold and real estate are very common investment avenues in India. It is because; here people are risk averse and want to make their money safe, even with low returns.

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