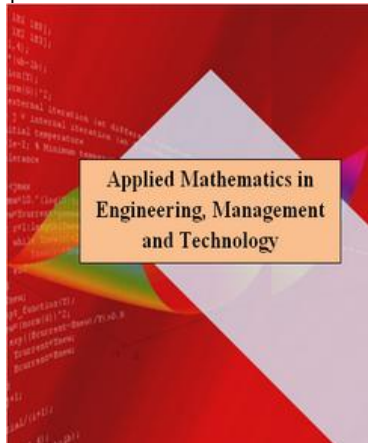


A STUDY ON INVESTMENT DECISIONS OF A COMMON MAN IN PUNE CITY

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Abstract:

Individual saving and investment has always been a stimulus for the economic growth of the country. It has catalyzed the capital formation and has accelerated the productive growth. Today most of the developed economies are witnessing a declining saving and investment pattern but India is still on a steady pace of investment and savings.

An investment refers to the commitment of funds at present, in anticipation of some positive rate of return in future. Today the gamut of investment is indeed wide. The individual investor has a wide array of options for investments, right from a secured debt oriented instrument to a high-risk-prone equity instrument.

In a nutshell, an individual investor has a platter full of investment avenues. The understanding of common man's investment is just not significant from the perspective of the individual investor but is also significant for the financial institutions that need to have a fair understanding of the behavior and attitudes of these investors and factors affecting these decisions.

This study has been undertaken to analyze the investment pattern of a common man.

The focus is on the factor which affects their decision making. An attempt has been made to study the demographics and psychographics of the investor considering the parameters like age, gender and income groups and also some psychological parameters that will attract the investor towards that particular investment.

Keywords: Saving, Investment, Common man

1. INTRODUCTION

Investment is one of the major challenges of the middle class families as their small savings of today are to meet the expenses of tomorrow. This saving is just not necessary for the individual liquidity, but the pool of savings create a supply of capital necessary for the smooth functioning of the market in the country. This brings out liquidity and also provides dynamism and momentum to the market.

Any country requires capital for its productive development and this capital can be either acquired internally or externally. The internal or the domestic resources include the nation's savings and the investment.

We need to understand the savings and investment profile of households, the structure of savings and investment, the destination of investment, the profile of investors and their perceptions and motivations.

Investing is the proactive use of one's money to make more money or, in simple words it means to earn money by deploying one's money. Investing is different from saving. Even though working on the similar principle of compounding, Savings is more of a passive activity. Saving has more focus on safety of the principal and lesser emphasis on return. Savings is defined by economists as that part of after tax income that is not spent; hence, it equals disposable income less consumption.

Saving and investment are two key macro variables with micro foundations, which play a significant role in economic growth. The role of savings and investment in promoting economic growth of India has been significant since independence and has been steady for a long period. When most of the developed countries are intrigued by deficiency of internal capital formation, India's saving and investment has played a pivotal role in achieving sustainable economic growth. The study of dynamic relation between savings and investment has received considerable attention in recent years especially in emerging economies like India. Over the last three decades, Indian economy has emerged as one of the fastest growing economies of the world.

The role of savings and investment in proving the fundamental growth impulses in the economy is one major factor for the progress of the country.

1.1 NEED OF THE STUDY

- a) This study will help us to identify individual working common mans preference towards investment in different options.
- b) The study will be helpful for the companies who are involved in investment banking to adopt a proper marketing strategy keeping “**common man**” in view

1.2 OBJECTIVES OF THE STUDY

- a) The main objective of the study is to find out the investment pattern of the common man
- b) To determine what factors influence them while they choose a particular investment, a particular company and in which particular scheme they prefer to invest and to find out whether they are satisfied with their investment decision or not.

2. LITERATURE REVIEW

Saving behavior is most often described as a function of income and consumption. Conditions apart from income, such as race, education of parent, and family composition, including the number of dependents in the family may also affect saving behavior., Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, grade etc of investment and disinvestments. These investment decisions are not only continuous but rational too. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future, this is known as ‘investment’. There are various investment avenues such as Equity, Bonds, Insurance, and Bank Deposit, LIC etc. A Portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal. There are various factors which affects investors’ portfolio such as annual income, government policy, natural calamities, economical changes etc. The term ‘investment’ does not appear to be a simple as it has been defined. Investment has been categorized by financial experts and economists. It has also Financial and Economic Meaning often been confused with the term speculation. Of Investment is the allocation of monetary resources to assets that expected to yield some gain or positive return over a given period of time. These assets range from safety investment to risky investments. Investments in this form are also called ‘Financial Investments’.

3. RESEARCH METHODOLOGY

- a) Sample Population: The population studied here is the household of Pune City
- b) Sample unit: Individuals above the age of 18 who are either investing or saving
- c) Sample size: 220
- d) Data Type: Primary Data
- e) Sampling method: Convenience Sampling
- f) Data collection: The data has been collected through questionnaire which was physically administered.

4. LIMITATIONS OF THE STUDY

- a) In every research there are chances of errors and constraints. We have found following limitations in our study.
- b) Sample size is very small, on the basis of which efficient decision cannot be taken.
- c) Co-operation from respondents was a major problem. Most of the people were from working class, so they did not have enough time to answer our questionnaire.

- d) The population surveyed was not open to questions related to their personal income i.e. either they were hesitant in disclosing the facts about their incomes or they were simply not interested.
- e) Time factor.

5. DATA ANALYSIS

The data has been analyzed using various tools from MS-Excel.

A. Demographic Profile of Investors

1) Age

Age 18-30 yrs	107
Age 30-40 yrs	86
Age 40-55 yrs	24
Age 55 & above	3

18-30 age group were the maximum people who like to invest, then followed by 30-40 age group, which was followed by 40-55 age group and the least age group who invested was the age group of 55 and above

2) Gender

Male	180
Female	40

According to the sample size of 220, there were 180 males and 40 females

3) Occupation

Government Services	25
Private Sector	141
Self Employed	49
Others	9

Age group pattern was as follows:

According to the survey of 220 there were 141 people who were involved in private sector followed by self employment. This means people working in private sector were the ones who invests more

4) Education

SSC	5
HSC	32
Graduate	88
Post graduate	100
Others	-

According to our survey 100 people were there who were post graduate and then followed by graduate. This showed that people having good educational qualification and knowledge were more interested in investment than others.

5) Income-wise distribution

Income (in Rs)	Nos.
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Below 1 lac	23
Rs.1 lac-Rs.3 lacs	59
Rs.3 lacs-Rs.5 lacs	97
Rs.5 lacs & above	41

According to the annual salary of people, 82 people were between less than Rs 1 lac-Rs.3 lacs bracket & the remaining were in the Rs 3lacs –Rs.5lacs & Rs. 5lacs & above bracket.

6) Marital Status

Married	154
Unmarried	66
Separated	-
Divorcee	-

In the survey 154 people were married and 66 people were unmarried

6. Investment Profile

1) Ranking of investment options

Our survey gives the fact that 83 people invest in mutual funds which is on top priority and then fixed deposits, which was followed by real estate ,PPF & then gold ETF.

Investment options	RANK
Mutual fund	1
Fixed deposit	2
Real estate	3
PPF	4
Gold ETF	5

2) Frequency of investment

Weekly	53
Monthly	20
Quarterly	15
Half yearly	23
Yearly	86

Coming to the frequency of investment, it was found that 86 people invest on yearly basis and then followed by half yearly.

3) Risk management technique

Switching	65
Averaging	79
Locking	64
Cut Loss	16
Others	3

Since lots of people are investing so it was important to know the risk bearing capacity. It was found that the response for the risk management technique which they mostly used was “averaging technique”, and then followed by “locking technique” & switching technique.

4) Investment decision factors

Risk Involved	48
Return on Investment	144
Past Performance	29
Future factor	20

Most people said that their investment decision is based on ROI and risk involved. Past & Future performance was not given a priority.

5) Purpose of investment

Return	197
Liquidity	54
Wealth	81
TAX SAVINGS	162

Since a great chunk of people were investing so it was necessary to find out the purpose so the purpose for the same was “Returns” and “Tax Savings” .

Out of 220 people, 197 people invested with the purpose of returns to be earned from the investment, followed by investments made for tax savings, wealth & liquidity

7. CONCLUSION

- 1) Mutual funds are the most opted investment vehicle of the common investors followed with the fixed deposit.
- 2) Although investors ranked mutual fund as the best investment option but they have LIC as their most preferred option.
- 3) A large number of people invest with the help of agents. There is strong influence of agents in investment decisions.
- 4) Most of the people said that their investment decision is based on ROI and risk involved. Past & Future performance was not given a priority.
- 5) The biggest reason for investment of common investor is liquidity and tax saving. Tax saving instruments attracts more investors.
- 6) Women as investors invest primarily for the purpose of returns but are affected mostly by the risk involved in the investment.
- 7) Younger people within the age bracket of 18-30 years with mid income of Rs 3-5 lacs are the investors who are not confined to traditional investment options. This segment has good appetite for equity linked investments.

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