

# A Study of Investment Behaviour of Household in Meerut District

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## **ABSTRACT**

*The investment of hard earned money is a crucial activity of every human being. The investment is the commitment of funds that have been saved from current consumption in the hope of receiving some benefits in the future. Therefore, it is a reward for waiting for money. People's savings are invested in activities based on risk and return requests, monetary security, liquidity, available investment routes, various financial institutions, etc. On the other hand, savings provide capital for the industry, for the economic development of the nation. In developing countries like India, household savings are the main source of capital for economic activities. The study helps to understand the knowledge and behavior of families, the main provider of funds for the country's economic activities. Therefore, a study of the investment behavior of households has been carried out in order to understand the level of family knowledge about investment.*

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## **Introduction**

In today's scenario, money plays an important role in one's life. . In order to overcome the problems in future one has to invest his or her money. Investment may be defined as sacrifice of certain present value for some uncertain future value Investors have different mindset when they decide about investing in a particular avenue. Every individual wants his saving to be invested in most secure and liquid way. However, the decision varies for every individual depending upon their risk aptitude. Investment behavior is related to activities of individual investors regarding searching, evaluating, acquiring, reviewing the investment products and if necessary, disposing such investment products. Investment behavior reveals how the individual investor allocates the surplus financial resources to various instruments available.

## **Literature Review**

**Barber and Odean (2000)** explored the impact of intuitive thinking on investment preference to study the experience of actual investors.

**Agarwal (2001)**, suggested that the public provident fund is the most beneficial investment for all group of people (salaried class, self-employment and retired persons) as well as for both tax payer and non-taxpayer.

**Tapan and Nalini (2002)**, expressed that investors are very much concerned about the safety and minimum return for the amount invested in the mutual fund. Factors like tax rebate under section 80 C and past performance of the company will also be taken into consideration by investor before making investment.

**Chalam (2003)**, argued that the majority of the investor the first choice of investment is real estate and the second preference to the mutual fund schemes followed by gold and other metals

**Singh (2006)**, analyzed that investment decisions making done by the majority of investor based on the recommendation done by the professionals and financial advisors.

**Saravana Kumar (2010)**, in his study the factors influenced the investors to invest in equity shares are liquidity, low investment and capital appreciation

**Pati and Shome (2011)**, reviewed that the secured avenue of bank deposit schemes are preferred by households rather than unsecured avenues of savings even though it gives high return.

**Kumar Rajesh and Arora R. S. (2013)**, suggested that investors need investment education and well informed about investment avenues through TV, internet, Newspapers and professional journals in order to enhance the awareness level.

**Puneet Bhushan (2014)**, examined the awareness level and investment behavior of salaried individuals towards financial products. Results of the study suggest that respondents are quite aware about traditional and safe financial products whereas awareness level of new age financial products among the population is low. Also majority of the respondents park their money in traditional and safe investment avenues.

## **Research methodology**

### **Introduction**

Research Methodology is the process which is used to collect information and data for the purpose of making business decisions

### **Objectives of the study**

- 1.To Study different types of Investment avenues in Meerut District
- 2) To Rank various Investment types based on household investor's preference
- 3.To analyze the effect of investor's personal factors towards their investment considerations

### **Source of data**

The data required for the study were obtained from primary and secondary sources. Respondents collected primary data through a well-designed interview program. The interview program was designed keeping in mind the objectives of the study. Secondary data related to the study were obtained from various sources, such as textbooks, journals, research articles published in specialized journals, dissertations and websites.

### **Sampling Design**

Since the number of families in the district is very high, the collection of data by the entire population is not feasible. So the researcher decided to use the sampling technique. The availability of the respondents is considered essential for the study. So the researcher has decided to use the Convenience Sampling method to choose sample respondents on the basis of Willingness of the respondents and the convenience of researcher. The researcher has decided to use the sample size of 100, based upon time and other constraints. So 100 household investors those who have investments, were selected from the Meerut District for data collection.

### **Area of Study**

The survey was conducted in Meerut District only.

## Scope of the Study

This study analyzes the investment behavior of household in Meerut District. This study also explores the investor's awareness and attitude towards the various investment avenues and their investment preference

## Data analysis and interpretation

### Socio Economic Profile of the Household Investors

The socio economic factors of the respondents like age, sex, education, occupation, monthly income, family income, size of the family are analyzed.

**Table 1. Gender wise classification of the respondents**

Gender	No. of respondents	Percentage
Male	64	64
Female	36	36
Total	100	100

#### Source: Primary Data Analysis

Table 1 shows the classification of the respondents on gender basis. Among 100 respondents, 64 % of the respondents are Male and remaining 36% of them are Female. Greater part of the respondents are male members; they are taken for the study due to their availability and their awareness for various investments.

**Table 2. Age wise classification of the respondents**

Age	No. of respondents	Percentage
20-30	12	12
30-40	24	24
40-50	27	27
50-60	21	21
> 60	16	16
Total	100	100

#### Source: Primary data analysis

Table 2 Shows the classification of the respondents according to the age group. Among the 100 respondents, 12% of the respondents belong to the group of 20 to 30 years; 24% of respondents have an age range between 30 and 40 years; 27% have an age range between 40% and 50%, 21% of the respondents have an age range between 50 and 60 years; 16% of respondents have an age group over 60 years. The majority of respondents have an age range between 30 and 60 years.

**Table 3. Marital Status wise classification of the respondents**

Material Status	No. of respondents	Percentage
Unmarried	7	7
Married	90	90
Widow/Widower	3	3
Total	100	100

#### Source: Primary data analysis

Table 3 shows the classification of the respondents on the basis of their marital status. The marital status of the respondents has significant impact on their savings and investments. Only 7% of the total respondents are unmarried. Rest of them that is 90% are married. Out of that 3% of total respondents are married; but they are either widow or widower.

**Table 4. Occupation wise classification of the respondents**

Occupation	No. of respondents	Percentage
Government employee	31	31
Pensioners	10	10
Private Employees	6	6
Business	42	42
Professionals	11	11
Total	100	100

**Source: Primary data analysis**

Table 4 shows the classification of the respondents on the basis of their Occupation. The Occupation of the respondents has significant impact on their attitude, knowledge level and their preference. Out of 100 respondents, 31% are government employees. 10% of the respondents are pensioners. Only 6% of them are private employees. 42% of the respondents are in Business. And 11% of the respondents are professionals.

### Investment Attitude of Households

**Table 5. Source of Investment**

Source of investment	No. of respondents	Percentage
Saving	52	52
Other earning	43	43
Part of regular income	5	5
Total	100	100

**Source: Primary data analysis**

Table 5 Shows the investment source of the investor. It shows the way in which the investor collects money for his investment. The source of the investment can be the Savings, which is the investor who reserves a part of their public income as savings for future investments. Or they can be other winnings like bonuses etc. This additional income, in addition to your monthly income, is used for your investment. Sometimes, the investor may not be able to save regularly from their monthly income. Then, suddenly, the investor makes investments from his regular monthly income. Of the 100 respondents, 52% use savings as a source of investment. 43% of respondents use the other earnings as a source of investment. Only 5% of respondents use their share of regular monthly income as a source of investment.

**Table 6. Investor type on the basis of Regularity of Investment**

Type of Investor	No. of respondents	Percentage
Regular	45	45
Occasional	55	55
Total	100	100

**Source: Primary data analysis**

Table 6 shows the classification of the respondents on the basis of their regularity towards their Investments. Some investors may be regular investors. They have the habit of making investment regularly. Others occasionally make investments. They are called as Occasional Investors. Out of 100 respondents, 45% are regular investors. Remaining 55% of the respondents are Occasional Investors.

**Table 7. Investor type on the basis of level of risk that investor willing to bear**

Risk Type	No. of respondents	Percentage
Risk averters	51	51
Risk neuters	40	40
Risk taker	9	9
Total	100	100

**Source: Primary Data Analysis**

Table 7 shows the classification of the respondents on the basis of their willingness to bear a level of risk in to three types based on the level of risk an investor is willing to bear in his/ her investments. They are Risk Averters, Risk Neuters and Risk Takers.

**Table 8. Current Investments in various investment types**

Investment Type	No. of respondents	Percentage
Bank deposits	31	31
Insurance	85	85
Post Office Schemes	36	36
Shares	5	5
Mutual Fund	10	10
Bond/Denentures	2	2
Chits	66	66

**Source: Primary data analysis**

Table 8 shows the current investments of the investors in several investment alternatives. Bank deposits, insurance, postal systems, stocks, mutual funds, bonds and chips are the various investment alternatives for investors. In addition to this, Gold / Silver and Real Estate are other alternatives. Because these investments in real assets are known to everyone, they are not analyzed. 31% of respondents invested in bank deposits. 85% of respondents have invested in various insurance policies. 36% of respondents invested in various postal systems. Only 5% of the total number of respondents invested in shares. 10% of the total respondents invested in mutual funds. Only 2% of the total number of respondents invested in bonds. 66% of the total number of respondents invested in Chits.

**Influencing Factors of Investment**

**Table 17. Ranking of the Factors influencing investment**

Investment Type	Rank							Total
	1	2	3	4	5	6	7	
Return Potential	20	17	20	17	14	10	2	100
Safety	41	21	18	10	5	3	2	100
Tax Benefit	2	7	17	11	11	10	42	100
Liquidity	20	21	15	15	14	12	3	100
Convenience	4	12	12	20	19	18	15	100
Capital Appreciation	10	12	12	11	19	15	21	100
Hedge against inflation	3	10	6	16	18	32	15	100
Total	100	100	100	100	100	100	100	

**Source: Primary data Analysis**

Table 17 shows the ranks given by the respondents for various influencing factors towards investment. Return potential, Capital appreciation, Safety, Tax benefits, Liquidity, Hedge against inflation and Convenience are the various influencing factors towards investment.

Majority of the respondents have given first rank for Safety. Next to safety, Return potential and Liquidity are preferred by many investors. Only very few investors have given top priority to Tax benefits, Hedge against Inflation and Convenience.

## Conclusion

The behavior analysis on investment of households in Meerut District is analysed through this study. Families prefer bank deposits mostly and do not like stocks and mutual funds. Factor safety has had a greater influence on domestic investment decisions and socio-economic factors that education and income have a relationship with domestic investments. On the basis of the findings, the researcher presents suggestions for better investment decision of the household. If the suggestions are carried out definitely, which lead to better behavior on investment.

## Suggestions

- After having analyzed the investment knowledge of household investors in the Meerut District the researcher offers the following suggestions in connection with the present study.
- As most of the respondents invested in insurance only, Steps should be taken to create awareness among the household investors about all the investment avenues.
- The majority of the respondents come to know about the various schemes through the friends and agents. Therefore it is recommended to various financial institutions to adopt a broad advertising strategy to create awareness among household investors in this region.
- The majority of respondents follow the conservative approach to investing. So they are not willing to invest in stocks. In any case, mutual funds offer more profitability to investors with a sufficiently low level of risk. So investors can invest in this way.
- Investor first understand his investment objective and analyze the various investment avenues. So that the investor can choose the best way to exactly meet their needs
- As the factor safety place first rank the government should ensure the safety of money invested in various investment avenues.
- As the socio economic factors education and income have influencing relationship on investment, the government and concerned investment organization, they should restructure their programme to different educational and income group of people.

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