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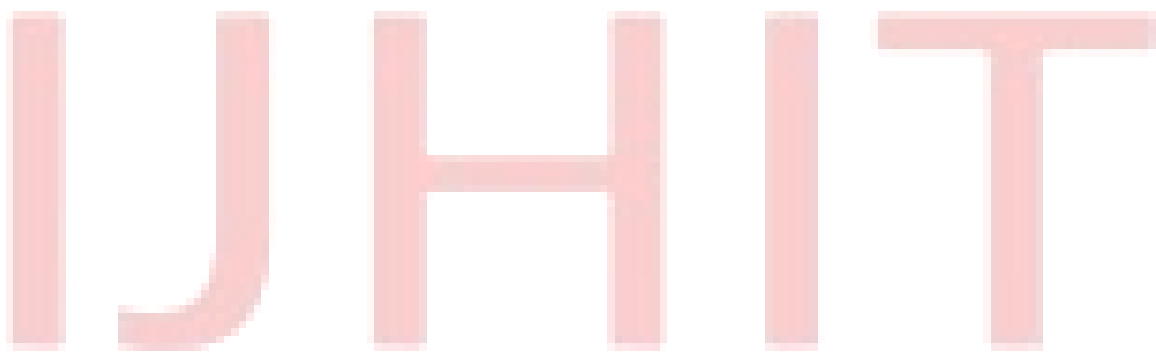


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A Study on Investment Patterns of People in Lucknow City

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Abstract

1. Introduction

In today's scenario there has been a major change i.e. economic prosperity all over. The entire world is talking about the robust growth rates in this part of the world. Higher income levels and booming stock markets have led to more and more numbers of high net worth investors (HNIs). This means the availability of huge investible surplus. The investors with higher risk appetite want to experiment and try new and exotic products in the name of diversification. This has resulted in emergence of new options within the same or fresh asset classes. There are more products available within each asset class be it Equity, Mutual Fund, insurance. The purpose of the analysis is to determine the saving behavior and investment preferences for the investment options available. This research paper also throws light on the effect of saving objective on preference of the investor towards Investment Avenue.

The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment

Savings form an important part of the economy of any nation. With the savings invested in various options available to the people, the money acts as the driver for growth of the country. Indian financial scene too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an ordinary man to invest his savings. The money you earn is partly spent and the rest saved for meeting future expenses. Instead of keeping the savings idle you may like to use savings in order to get return on it in the future. This is called Investment. One needs to invest to and earn return on your idle resources and generate a specified sum of money for a specific goal in life and make a provision for an uncertain future One of the important reasons why one needs to invest wisely is to meet the cost of *Inflation*.

Inflation is the rate at which the cost of living increases. The cost of living is simply what it costs to buy the goods and services you need to live. Inflation causes money to lose value because it will not buy the same amount of a good or service in the future as it does now or did in the past.

The sooner one starts investing the better. By investing early you allow your investments more time to grow, whereby the concept of compounding increases your income, by accumulating the principal and the interest or dividend earned on it, year after year.

The three golden rules for all investors are:

- Invest early
- Invest regularly
- Invest for long term and not short term

The most vital problem spotted is of ignorance. Investors should be made aware of the benefits. Nobody will invest until and unless he is fully convinced. Investors should be made to realize that ignorance is no longer bliss and what they are losing by not investing.

2. Objectives

- To understand all about different investment avenues available in India.
- To find out how the investors get information about the various financial instrument
- To find out how the investor wants to invest i.e. on his own or through a broker.
- To find out the saving habits of the different customers and the amount they invest in various financial instruments.
- In which type of financial instrument they like to invest.
- How long they prefer to keep their money invested.
- What is the return that they expect from the investment?
- What are the various factors that they consider before investing?
- To find out the risk profile of the investor
- To evaluate the consumer attitude towards saving and decision making regarding investments

3. Types of Investment Options Available in the Market

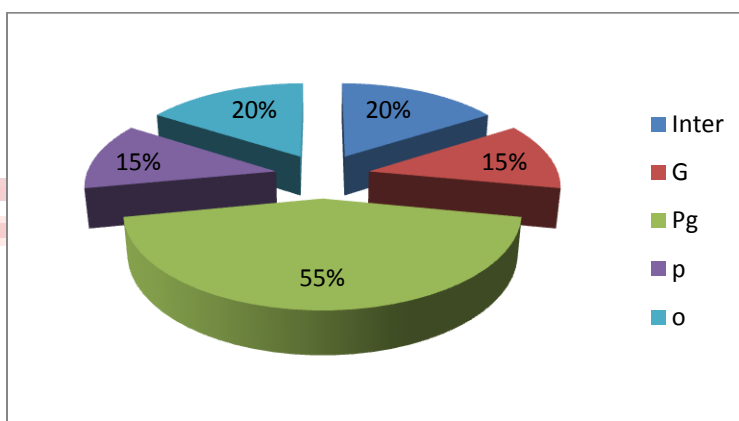
- Mutual Funds
- Bond/IPO's
- Insurance
- Fixed Deposits
- Govt. Securities
- Real Estate
- Commodities

4. Data Analysis and Findings

- The study revealed that people in Lucknow do not plan for long-term future and keep away from investing in long-term instruments though they save for long-term goals such as emergencies, education and old age.
- The survey reveals that most people prefer keeping 65 percent of their savings in liquid assets like bank or post office deposits and cash at home, while investing 23 percent in physical investments like real estate and gold and only 12 percent in financial instruments.
- For getting secure return on their earning, 51 percent of respondents put their savings in the banks while 36 percent of households still prefer to keep cash at home. The investment in post offices and other guaranteed return schemes and plans gets minor part of total savings. Only 5 percent of family put their money in post offices, while 2 percent buy insurance policies and 0.5 percent invests in equities.
- Interestingly, though life insurance is among the most popular financial instruments (about 78 percent of the households are aware of life insurance), yet only 24 percent of households have a life insurance policy. The ownership is 38 percent among the households but a low 19 percent among rural households.
- According to the study, 83 percent of the households surveyed saved for emergency, while children's education (81 percent) was the other key priority. While only 69 percent households saved for old-age financial security, 63 percent households said they kept aside money to meet future expenses like marriage, births and other social ceremonies.
- The study also notes that nearly 47 percent households saved to buy or build a house and a similar percentage saved to improve or enlarge their business. Only 22 percent households saved to buy consumer durable and 18 percent for meeting expenses towards gifts, donation or pilgrimage.
- The survey findings confirm the wide disparity between urban and rural people. On an average, the urban Indian earns 85 percent higher than his or her rural counterpart, spends 71 percent more and saves nearly double - Rs.26, 762 compared with Rs.11, 613 - every year.
- According to the survey, a person's occupation, education, age, location and landholding directly influence his or her income. Households with graduates earn 3.5 times more than those with illiterate ones, and incomes nearly double between the ages of 25 and 66.
- While salaried class households, which constitute only 18 percent of the total households in the city accounted for greatest proportion of savings, agriculturists with land are the richest in rural areas. Wage laborers are the poorest anywhere, comprising 62 percent of the lowest-income households.
- The highest savings (in terms of per household) are in the 56-65 age group where savings are Rs.21, 196 per household, or 25 percent of the annual income, the study notes.
- The two main factors responsible for higher savings with growing age, according to the survey, are motivation to save and the need to meet old-age requirements.
- The survey also suggests a direct link between the education and savings by pointing out that households headed by graduates had highest level of savings in both absolute terms and as a percentage of income.

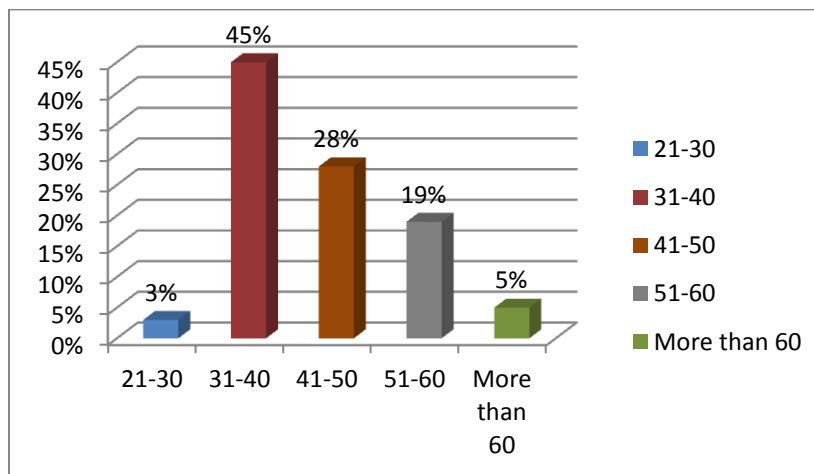
- The survey notes that households managed by persons in 56-65 age group, kept bulk (57 percent) of their savings in liquid assets, though they also invested the surplus funds in shares and debentures.
- Interestingly, the survey reveals that the households headed by persons in the age group of 26-35 years, paid more insurance premium than their senior counterparts.
- Households headed by graduates spent more on buying insurance around 10.2 percent, while merely 3.5 percent preferred investing in shares or debentures, the survey says.
- People prefer to save money in 'in-house savings' rather than 'in banks or investment.' They save money for emergency and any mishappening, the study notes.

4.1. Finds the Education Level



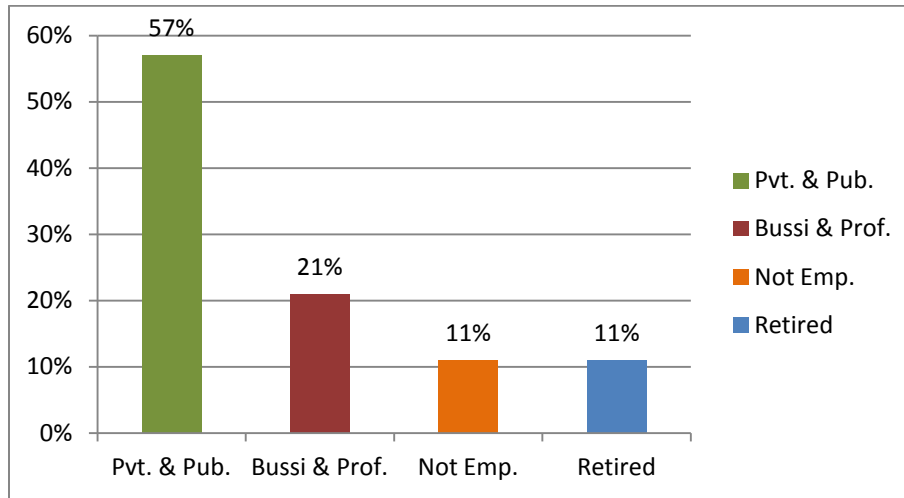
I have taken 125 respondents, out of which 55% people are post graduates.

4.2. Which Age Group of People is More Interested to Investment?



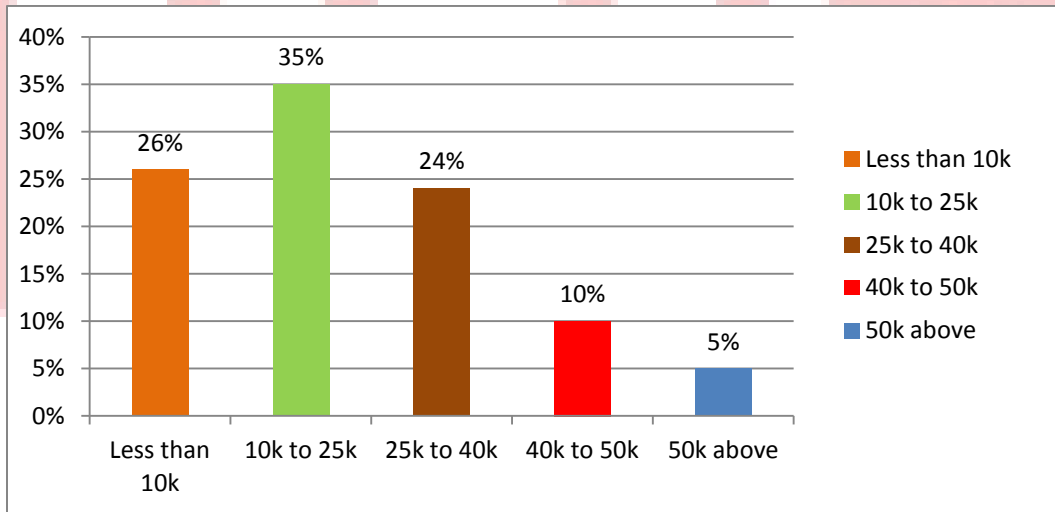
I have taken 125 respondents, out of which 45% people of the 31-40 age group are more interested to investment.

4.3. Percentage of Occupation Level of Respondents



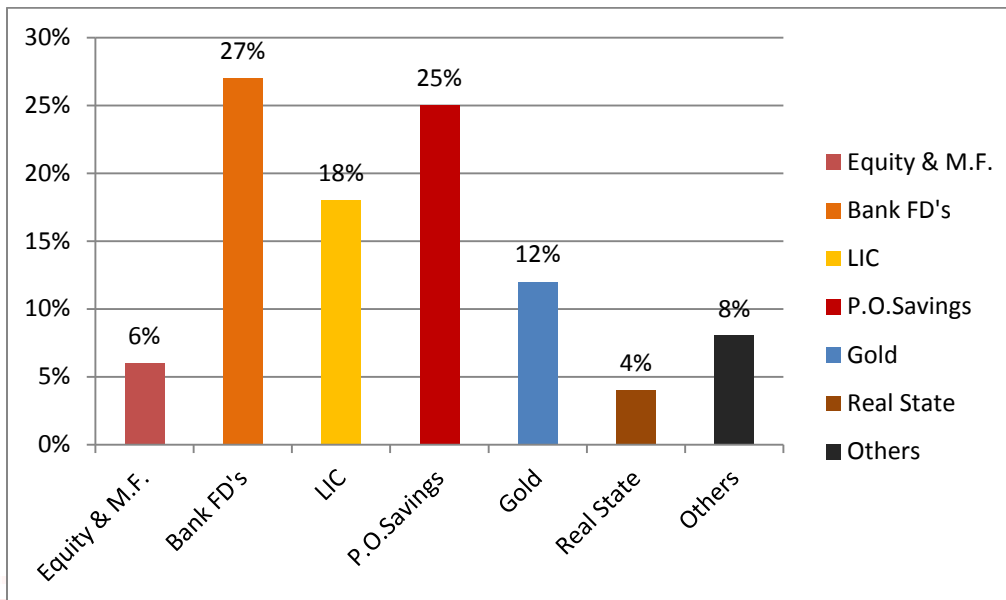
In 125 respondents out of which 57% respondents are works in Private & Public sector.

4.4. How Much Money Saves as an Annually?



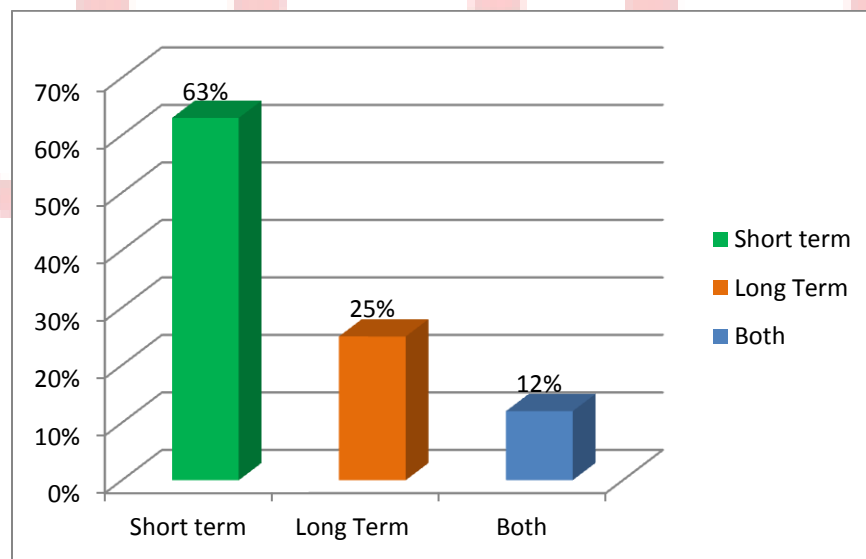
In 125 respondents out of which 35% respondents are save 10000 to 25000 Rs.

4.5. In Which Sectors Investors are More Interested to Invest Their Money



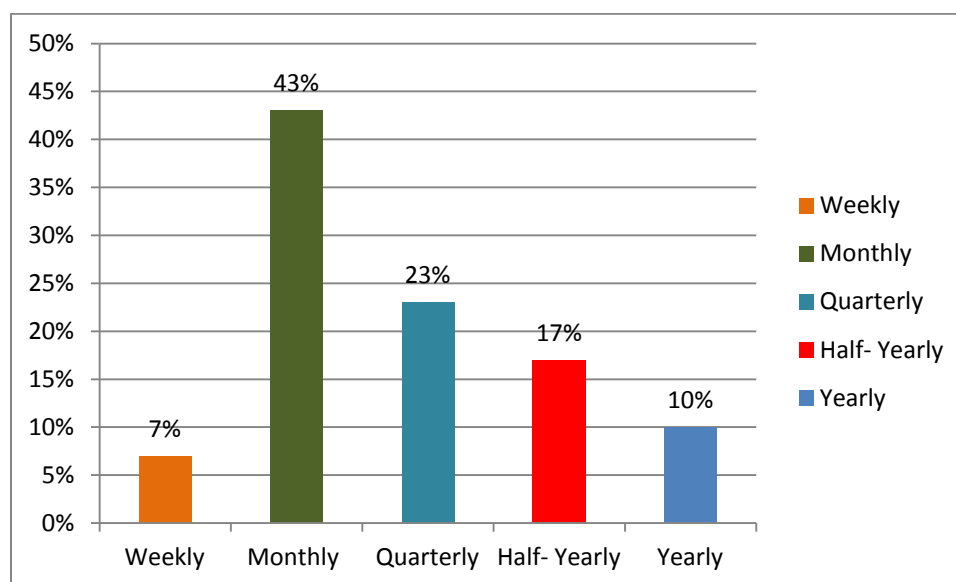
In 125 respondents out of which 27% respondents are invest their money in Bank FD's.

4.6. How Many Investors are Short Term and Long Term Investors?



In 125 respondents out of which 63% respondents are short term investors.

4.7. Frequencies of Investment of Respondent



In 125 respondents out of which 43% respondents are invest their money on monthly basis.

5. Conclusion and Recommendations

After completing the survey and watching the analysis I come to this conclusion that the before investment investors do have focus on Tax savings, Income, Capital preservation etc. They also have a predetermination of the time period of investment.

- According to my view the **age group of 31-40** can be a great potential investors for the company as the has high risk profile, more disposable income, and the time horizon is perfect 3-5 years for this category is company must follow up these high potential customers, they can be offered Equity shares because this group of people have a high risk profile and they can afford to takes risks which is usually associated with equity shares. This group of customers can also be offered Mutual funds because in that also the exposure is in equities. ULIPS can also be offered to this group The ULIP has a 20%-22% returned which good enough for investment. The main focus should be to reach to the customer; these customers are aware of ULIPs and aware of other product. Company should try to reach them and tap the investor.
- Mutual Funds can also be offered as they have high risk profile. Company should take initiative to get demat account of these customers.
- The **age group of 41-50** years, investors is with '**Moderate**' risk profile, most of the investors are from the 10,000-25,000 Rs per month disposable income. Companies will get good investor with diluted risk profile. Company can offer them ULIPs, and Fixed Deposits as investment instrument. Mutual funds can be an option but that must be a debt fund to invest.

- The **age group of 51-60** years, investors are from the **25,000-40,000** Rs disposable income group. Investors in this group are **invested in Insurance sector**, the primary focuses of these investors are **Retirement** and time horizon is likely to be 6-9 years. This is also good potential group for the retirement plan in ULIPs. Fixed deposits can be a good option for them.
- For the age group of **above 60 years**, the risk profile would be low moderate, as the term is not more than 3 years. Investors have invested in insurance sector but in this age insurance would not be a good option for investor. Company should try to minimize the risk tolerance by offering fixed deposits.
- In the survey there was lot of people who were in the age group of above 60. For this group of people the company can target Fixed deposits which gives continues return like monthly interests so that they can keep on getting returns.

QUESTIONNAIRE

Kindly fill up the following questionnaire

- 1) Name: _____
- 2) Educational level:

<input type="checkbox"/> Intermediate	<input type="checkbox"/> Graduation	<input type="checkbox"/> Post- Graduation
<input type="checkbox"/> Professional	<input type="checkbox"/> Other	
- 3) Age:

<input type="checkbox"/> 21-30	<input type="checkbox"/> 31-40	<input type="checkbox"/> 40-50	<input type="checkbox"/> 51-60	<input type="checkbox"/> More than 60
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- 4) Number of persons in the family

<input type="checkbox"/> 1	<input type="checkbox"/> 2	<input type="checkbox"/> 3	<input type="checkbox"/> 4	<input type="checkbox"/> More than 4
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- 5) Occupation:

<input type="checkbox"/> Employed :	<input type="checkbox"/> Private Sector	<input type="checkbox"/> Public Sector
<input type="checkbox"/> Self- Employed :	<input type="checkbox"/> Business	<input type="checkbox"/> Profession
<input type="checkbox"/> Not Employed	<input type="checkbox"/> Retired	
- 6) Annual income (Rs.):

<input type="checkbox"/> 1.5 to 2.5 Lakh	<input type="checkbox"/> Between 2.5-4Lakh	<input type="checkbox"/> Between 4- 6 Lakh
<input type="checkbox"/> Between 6 – 8 Lakh	<input type="checkbox"/> More Than 8 Lakhs	

- 7) Annual Savings (Rs.):
☐ Less than 10000 ☐ Between 10000 – 25000
☐ Between 25000 – 40000 ☐ Between 40000 – 50000
☐ 50000 to above
- 8) Investment avenues that you like to choose
☐ Equity & Mutual fund ☐ Bank Deposits ☐ PPF ☐ Life Insurance
☐ Post- Office Savings ☐ Gold ☐ Real State ☐ Others
- 9) Average amount (in Rs.) invested in a year in the following avenues:
☐ Equity & Mutual Fund ☐ Bank Deposits ☐ PPF ☐ Life Insurance
☐ Post- Office Savings ☐ Gold ☐ Real State ☐ Others
- 10) Are you a short term or long term investor ?
☐ Short term ☐ Long term ☐ Both
- 11) State reason behind choice of your investment options:
☐ Self- Awareness ☐ Financial Advisors ☐ Broker's Advice
☐ Friends or Relative's Advice ☐ Media
- 12) What is your frequency of investment ?
☐ Weekly ☐ Monthly ☐ Quarterly ☐ Half- Yearly ☐ Yearly

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