



A STUDY OF INVESTORS BEHAVIOUR TOWARDS VARIOUS INVESTMENT AVENUES – MUMBAI

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Abstract:

In the current global economic landscape, there has been a significant shift towards prosperity, drawing attention to the impressive growth rates worldwide. Elevated income levels and flourishing stock markets have attracted a growing number of high net worth investors (HNIs), leading to an abundance of investible surplus. These investors, with a greater risk appetite, are inclined towards exploring new and diverse investment opportunities for diversification. Consequently, there has been a proliferation of novel options across various asset classes, including Equity and Stock, Debt Market, Mutual Funds, Insurance, Real Estate, Commodities, and Bank Fixed Deposits. The primary aim of this study is to assess the needs of present investors and analyze their behavior towards different financial instruments. The common perception of investors is to buy when market supports when there is an uptrend and not to invest in falling time. Through this analysis, we seek to understand investors' behavior and preferences concerning investments, and this study will help the future investors to have look into the behavior of past investors and the future investors can learn from the mistakes, which has been done by the past investors and not repeat the same.

Design/Methodology: A structured questionnaire was made with the sample size of 74 respondents and the question were related to demographics and Investment related questions.

Keywords - Annual Income, Savings, Investment Avenues, Investors Behaviour, Awareness of Investment Options.

INTRODUCTION

In the current global economic landscape, there has been a significant surge in prosperity worldwide, with widespread discussions about the rapid growth rate of economies. Elevated income levels and flourishing stock markets have attracted a growing number of high net worth investors (HNIs), resulting in a surplus of investible funds. Investors with a greater risk appetite are keen on exploring new and diverse investment products to diversify their portfolios. This trend has led to the emergence of new options within existing or fresh asset classes, offering a wider range of products across various sectors such as Equity and Stock, Debt Market, Mutual Funds, Insurance, Real Estate, Commodities, and Bank Fixed Deposits. The prevailing perception among investors is to buy during market uptrends and avoid investing during downturns. They prefer to wait for market stability before making investment decisions. This research aims to provide insights into the trends and behavior of traders and investors in financial markets. It acknowledges that market dynamics are ultimately shaped by individuals, and stock prices reflect the collective actions and decisions of investors. The field of investor behavior seeks to understand and explain investor decisions by integrating principles of psychology and investing at both micro and macro levels. It examines how investors' cognitive processes and emotional factors influence their decision-making in financial planning and investment management. Investors' judgments and decisions are often influenced by past experiences, personal beliefs, and individual preferences.

Key points on Investor Behaviour:

- Investors often lack patience when it comes to selling a promising stock.
- Investors tend to differentiate between money earned from investments, savings, or tax refunds and money earned through hard work. Windfall money is more likely to be spent or wasted.
- People tend to think in absolutes, considering highly likely news as certain and unlikely news as impossible.
- Investors typically have a short-term perspective, reacting cautiously to recent market losses and taking action in response to recent gains.
- Investors may overestimate their abilities, attributing success to skills they don't actually possess and perceiving patterns in data where none exist.
- Investors tend to follow the herd, heavily influenced by other investors or persuasive news, without verifying the underlying facts.
- Investors often become fixated on price movements and trends rather than focusing on reliable information.

VARIOUS INVESTMENT ALTERNATIVES AVAILABLE TO AN INDIAN INVESTORS

Investors may opt for one or a combination of the most suitable investment avenues, depending on factors such as age, income, and dependents. All investments involve some level of risk, as no risk typically translates to low or no returns. Certain instruments carry lower risk, while others pose higher risks, with the general principle being "higher risk, higher return."

- Government Securities (Bonds): These are bonds issued by the Central or State governments and are considered the safest investment options in India due to their backing by the Government of India, offering minimal credit risk.

- **Equity:** Direct investment in equities involves participating in primary markets through IPOs or purchasing securities from secondary markets like stock exchanges. Equities carry the highest risk but may also yield the highest returns.
- **Mutual Funds:** These are investment instruments created with contributions from multiple investors and are professionally managed. They invest in various assets such as equity, debt, gold, and foreign equity, offering investors a diversified portfolio.
- **Debentures/Bonds:** Corporates often issue bonds with fixed terms and coupon payments to raise funds. Although riskier than government bonds, these bonds offer higher returns.
- **Real Estate:** Investing in real estate is highly regarded in India, following gold, due to its historical performance.
- **Gold:** Gold is considered a top investment in India, contributing to the country's status as the world's largest consumer of gold.
- **Bank Fixed Deposits:** Traditional bank fixed deposits offer fixed returns over a specified period, typically ranging between 6% to 7% annually.
- **Post Office Savings Schemes:** These schemes, offered by post offices, are trusted by many Indians and offer decent returns.
- **Commodity:** Trading in commodities, particularly on platforms like MCX, has gained popularity among investors as a means to diversify their equity portfolio and manage risk.

LITERATURE REVIEW

In 2011, Shanmugasundaram and Balakrishnan conducted a study to examine the factors impacting investors' behavior in the capital market. They found that demographic variables play a significant role in shaping investors' decisions regarding investments.

In their 2012 study, Murithi Suriya, Narayanan, and Arivazhagan discovered that a large portion of investors rely on multiple sources of information when making investment choices. Additionally, many investors engage in discussions with family and friends before finalizing their investment decisions.

In the book "Psychology of Investments and Investor's Preferences" by Dr. (Mrs.) Sushant Nagpal (2007), it is emphasized that every individual investor should adhere to three fundamental principles of investing: adopting a long-term investment approach, implementing the right strategy to optimize returns, and effectively allocating investible funds. In applying these principles, investors must consider their demographics, lifestyle, and investment psychology. Factors such as age, occupation, and family income may influence an investor's choice of investment avenues. Additionally, investor decisions may be influenced by factors like overconfidence, reference groups, and how investment alternatives are presented. Understanding these aspects is crucial for investors, researchers, financial consultants, academics, students, and financial product marketers.

In the study "Investment decision-making – A Behavioural Approach" by V. Shanmugasundaram and V. Balakrishnan (2011), which focuses on the behavior of Indian individual investors, the primary objective of investments is to maximize wealth. Investors are advised to make rational decisions based on available information, devoid of emotional influence, in order to optimize returns. The behavior of investors often demonstrates tendencies of heightened excitement and overreaction in response to both upward and downward movements in stock markets. While many investment theories are predicated on the assumption that individuals carefully consider all available information before making decisions, empirical evidence indicates that demographic factors play a significant role in shaping investors' investment choices. Additionally, the research explores how investors perceive and respond to various information from the capital market to make well-informed investment decisions.

RESEARCH METHODOLOGY

For data analysis, both primary and secondary data have been used. A sample of 74 responses was collected for the analysis in this work with in Mumbai. In this research the data was collected with the help of a well-designed structured questionnaire given in appendix. The questionnaire was drafted in order to study the preferences of individual investors and collected relevant information about their Investment portfolio and investment behaviour on various Financial instruments. The questionnaire was distributed among the respondents by personally and also through Email. Journals, research papers, publications and pertinent websites served as the source for the secondary data.

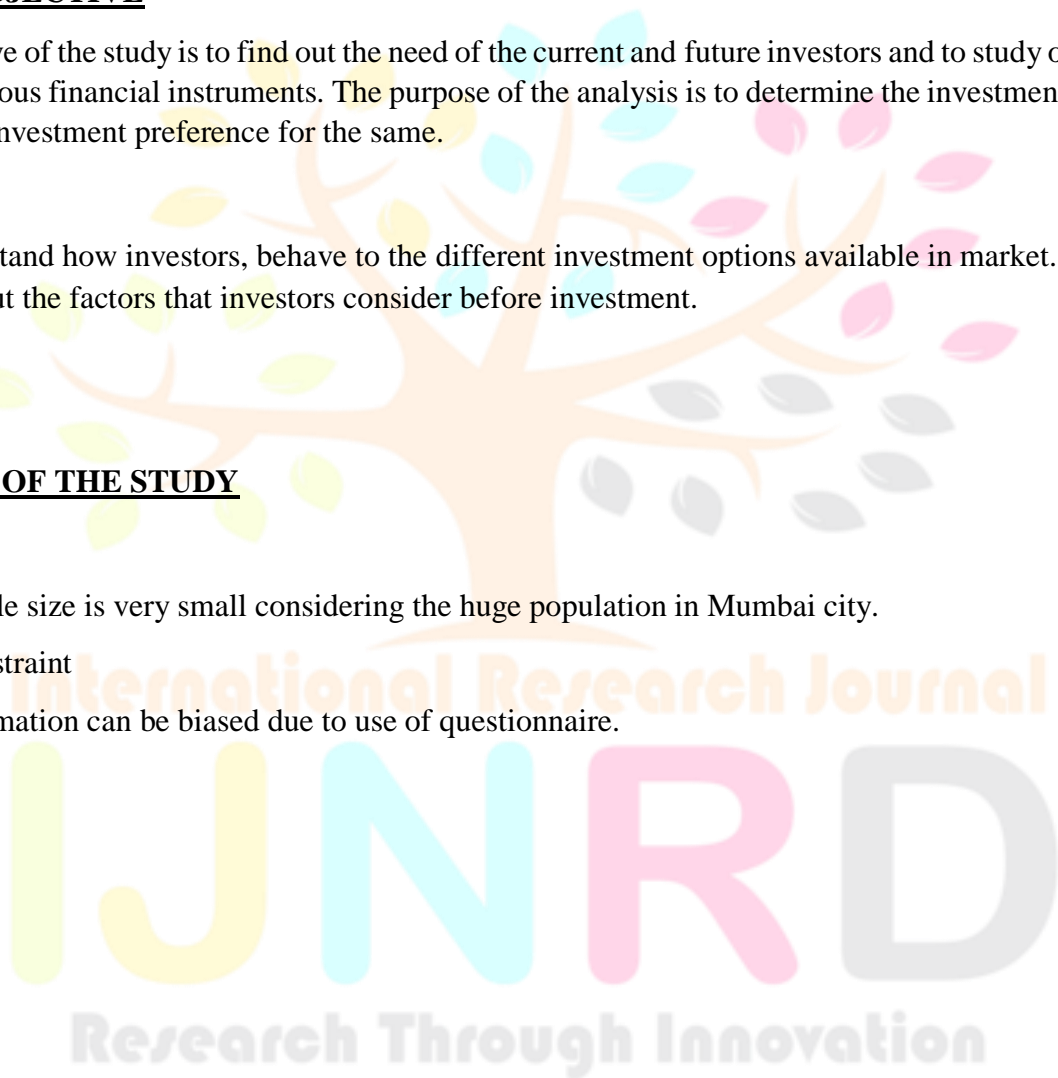
RESEARCH OBJECTIVE

The main objective of the study is to find out the need of the current and future investors and to study on investors behaviour on various financial instruments. The purpose of the analysis is to determine the investment behaviour of investors and investment preference for the same.

- To understand how investors, behave to the different investment options available in market.
- To find out the factors that investors consider before investment.

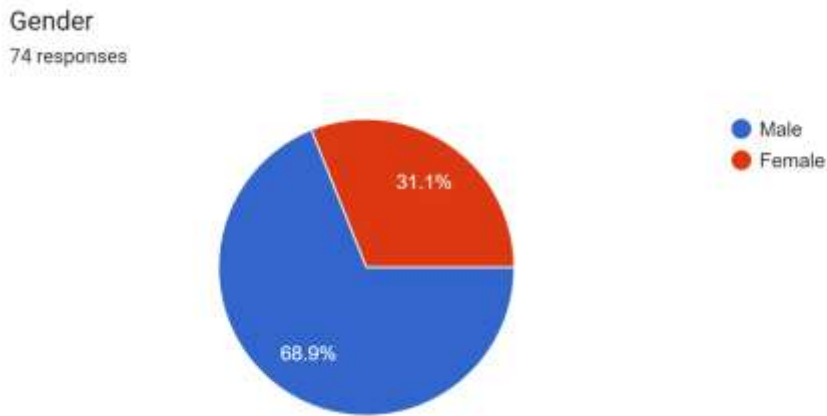
LIMITATIONS OF THE STUDY

- The sample size is very small considering the huge population in Mumbai city.
- Time constraint
- The information can be biased due to use of questionnaire.



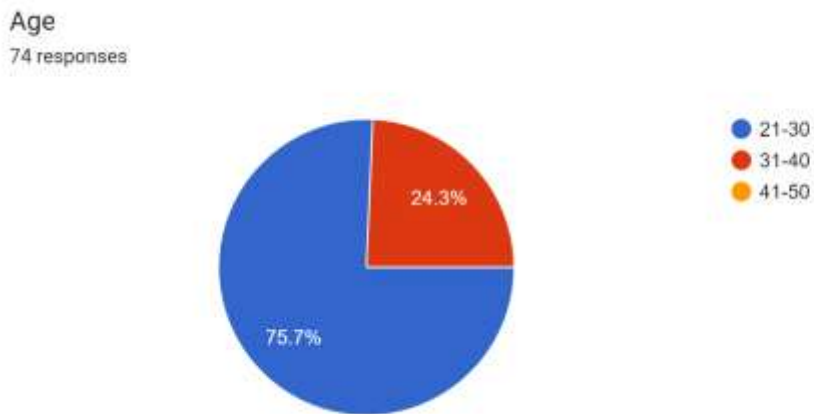
FINDINGS & DISCUSSION

Table no 1: Gender



68.9% respondents were males and 31.1% respondents were females.

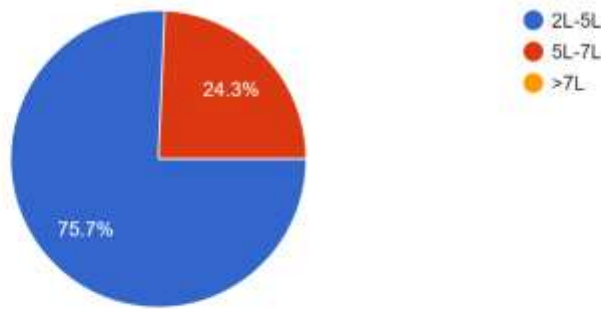
Table no 2: Age



75.7% of the respondents were from the age group of 21-30 and 24.3% was from the age group of 31-40.

Table no 3: Income

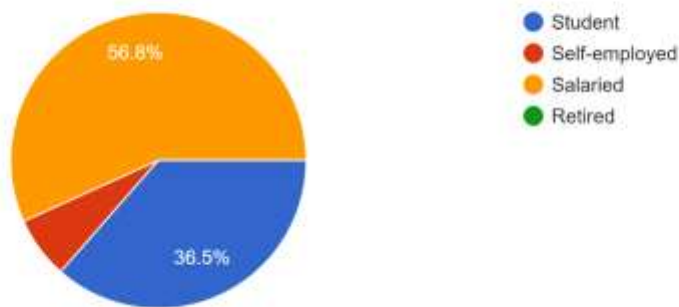
Income
74 responses



75.7% of the respondents was from the Income level of 2L-5L LPA & 24.3% of the respondents were from the Income level of 5L-7L.

Table no 4: Occupation

Occupation
74 responses



56.8% of the respondents were salaried people & 35.6% of the respondents were students. & 6.8% of the respondents were self-employed.

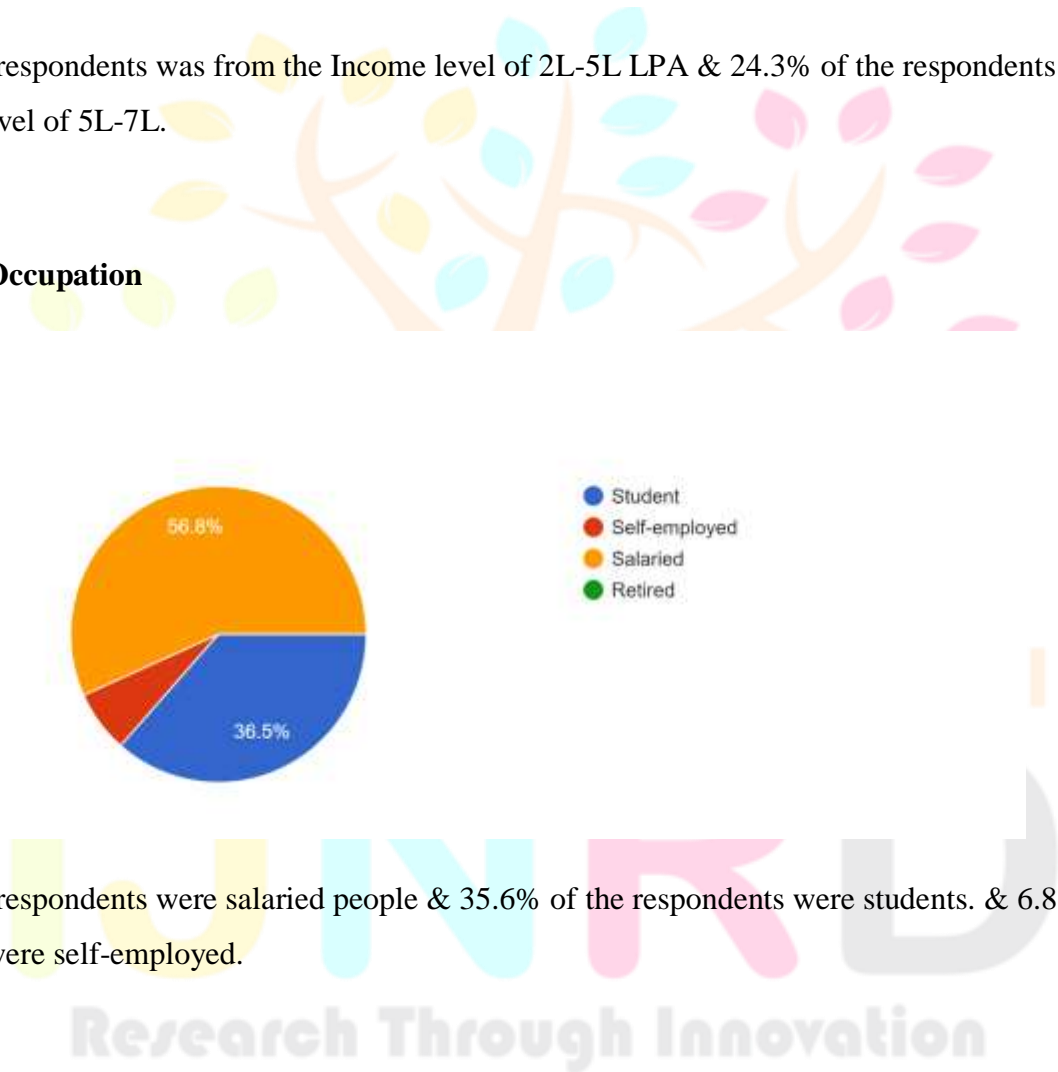
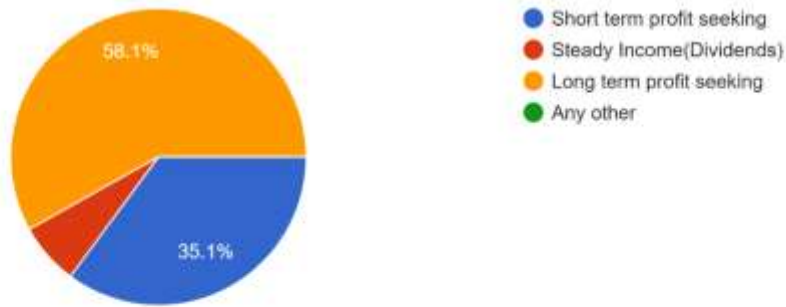


Table no 5: Investment Objective

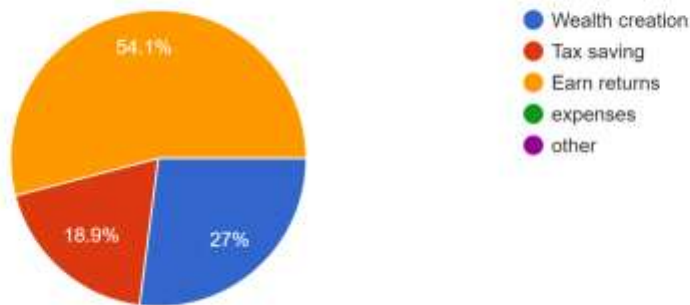
Investment Objective
74 responses



58.1% of the respondents Investment objective is Long term profit seeking and 35.1% of the respondents investment objective is short term profit seeking.

Table no 6: Purpose behind Investment

Purpose behind Investment
74 responses



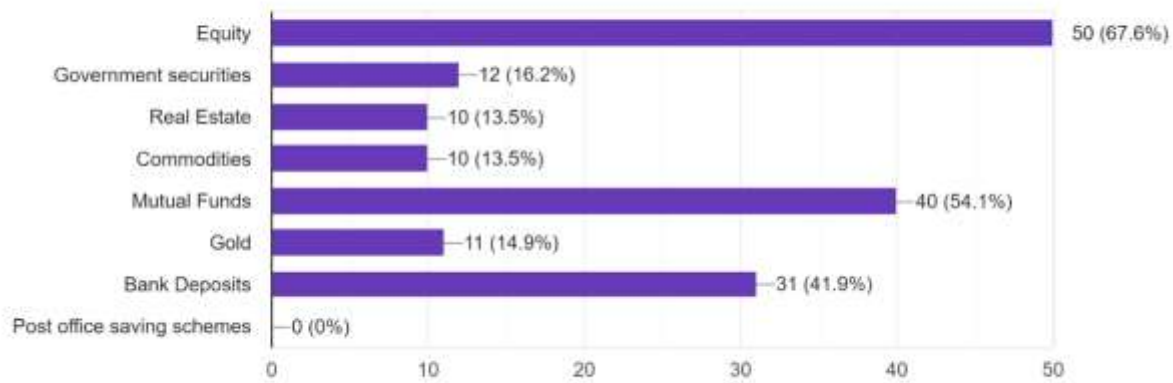
54.1% respondents purpose behind investing is to earn returns & 27% of the respondents purpose behind investment is for wealth creation.

Research Through Innovation

Table no 7:

What are the various Investment alternatives do you invest in ?

74 responses

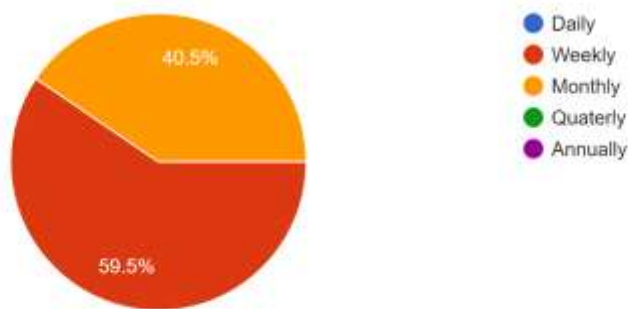


67.6% of the respondents invest in Equity & 54.1% of the respondents Invest in mutual funds & 41.9% of the respondents invest in Bank deposits.

Table no 8: What is the frequency of monitoring investment?

What is the frequency of monitoring investment?

74 responses



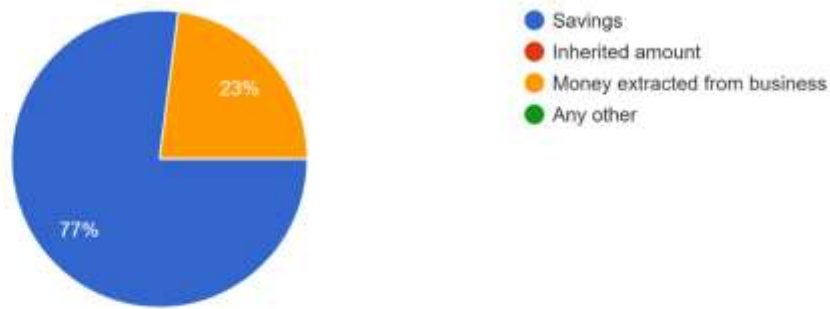
59.5% of the respondents monitor investments weekly and 40.5% of respondents monitor investment Monthly.

Research Through Innovation

Table no 9:

What is the source of investment?

74 responses

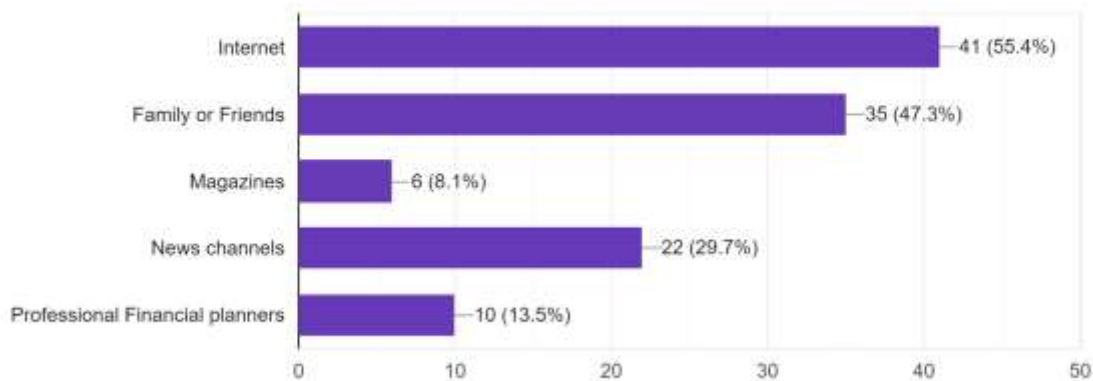


77% of the respondent's source of investment was from their savings & 23% of the respondent's source of investment was from Money extracted from business.

Table no 10:

What is your source of investment advice?

74 responses



55.4% of the respondent's source of investment advice was Internet & 47.3% of the respondent's source of investment advice was family & friends and 29.7% respondents prefer news channel as source of investment.

CONCLUSION

From this research we can conclude that there are lot of factors which affect the investors behaviour towards various investment avenues. Majority of people wants to invest in the equities, we can infer from this that most of the Investors in this survey is from the age group of 21 to 30. Age group of 21-30 is generally considered as that they have high risk appetite compared to the age groups which are older then them. And that why majority of respondents purpose behind the investment is to earn returns as there risk appetite is very high. From this research it is also found out that Investment objective of majority of investors is for the Long term profit seeking. We can understand from this that people are well aware about the Investment

horizon. And from the research it is also been observed that most of the respondents start investing after getting advice from the Internet that is from any influencer that they see and hear on the social media platforms and respondents also start investing after taking advice from their family and friends. That showcases that people still follow the herd mentality before starting to invest.

SCOPE OF FURTHER RESEARCH TO BE HIGHLIGHTED

Comparative Analysis: Make a comparison between Mumbai's retail investors and those in other Indian cities or regions. Examine the investment to see if there are any noticeable differences.

Investigate the impact of regulatory changes, such as those implemented by SEBI (Securities and Exchange Board of India) and RBI (Reserve Bank of India), on the perspectives of investors in Mumbai regarding various investment options. Evaluate how regulatory measures contribute to bolstering investor safeguards, fostering transparency, and instilling confidence in the investment landscape.

BIBLIOGRAPHY

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[Http://www.investologic.in/various-investment-alternatives/](http://www.investologic.in/various-investment-alternatives/)



APPENDIX

1) Name?*

2) Gender?*

- Male
- Female

3) Age?*

- 21-30
- 31-40
- 41-50

4) Income? *

- 2L-5L
- 5L-7L
- >7L

5) Occupation*

- Student
- Self-employed
- Salaried
- Retired

6) Investment Objective?*

- Short term profit seeking
- Steady Income(Dividends)
- Long term profit seeking
- Any other

7) Purpose behind Investment?*

- Wealth creation
- Tax saving
- Earn returns
- expenses
- other

8) What are the various Investment alternatives do you invest in ?*

- Equity
- Government securities
- Real Estate
- Commodities
- Mutual Funds
- Gold
- Bank Deposits
- Post office saving schemes

9) What is the frequency of monitoring Investment?*

- Daily
- Weekly
- Monthly
- Quaterly
- Annually

10) What is the source of Investment?*

- Savings
- Inherited amount
- Money extracted from business
- Any other

11) What is your source of investment advice?*

- Internet
- Family or Friends
- Magazines
- News channels
- Professional Financial planners

