

A Study on Behavior and Preferences of Individual Investors towards Investments with Special Reference to Delhi NCR

Bharti Wadhwa, Aakanksha Uppal, Anubha Vashisht, Davinder Kaur

Abstract- In present financial system there are many investment avenues and it is difficult for anyone to decide about these avenues. Some of these investment avenues offer attractive returns but with high risks and some offer lower returns with very low risks. Motives behind an investment are the safety of principal amount, liquidity, income stability, and appreciation. The study discusses about the investment behavior and preferences of investors towards the various investment alternatives. Primary data has been collected through questionnaires. 300 respondents of NOIDA, District Gautam Buddha Nagar have been taken for the study. Collected data has been analyzed by using various statistical tools like percentage, Pearson's coefficient of Co-relation, regression analysis and cluster analysis. The major factors behind an investment are the safety of principal amount, liquidity, income stability, and appreciation.

Keywords

Investor behavior, investment alternatives, Risk appetite, investor's behavior

I. INTRODUCTION

In India, many investment avenues are available where some are marketable and liquid while others are non-marketable and some of them are highly risky while others are almost riskless. The investor has to choose Proper Avenue depending upon his specific need, risk preference, and returns expected. So decision making process of investor is more critical and complex. Investment behavior is defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is called "Investment Behavior"

Each individual investor selects the investment option for certain time period looking at their personal financial goals. Investment Behavior of an individual investor reveals how he/she wants to allocate the surplus financial resources to various instruments for investment available. The investment behavior consists of why they want to invest, how much of their disposable income they want to invest, for how many years/months they want to invest and most importantly the timing of such investment. In various empirical studies, it has been found that information being an important factor on taking decision to invest, which influences them on choice of investment and later on how they act after investment (Kasilingam & Jayabal, 2008).

After getting the behavior of investor, investment strategy should be prepared. Investment strategy is a plan, which is prepared to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time. By

increasing personal wealth, investing can contribute to higher, overall economic growth and prosperity. The study was conducted mainly to know about the individual investor's perception towards deciding on the objective for which they save money for future. In every life cycle stage, saving objective by an individual always changes. Such a change occurs not only due to the age of the investors, but also due to the occupation and income level category, where they fall. Saving objective of household savers is always substantiated by the investment option they choose to attain those objectives.

Volatility in the asset class (Equity markets) in recent times is exceptional. It is true with other asset classes like Gold, Currencies, and Bonds as well. This leaves the investor confused at times. If we go in depth we found that the continuous volatility is affecting investor behavior in a big way. Therefore, one has to get into an investor's mind and experience the confusions going on there. In this context "A Study on Behavior and Preferences of Investors towards Investments with Special Reference to Delhi NCR" seems relevant. Present Study on individual investors' behavior is an attempt to know the profile of the investor and also know the characteristics of investors to know their preference with respect to their investments.

II. LITERATURE REVIEW

Literature suggests that most of the research on investors' behavior proves that market information affects the investors' behavior also demographic factors such as Gender, Age and risk tolerance level has the relationship with the behavior.

Authors	Year	Findings
Wadhwa, Vashisht & Kaur	2015	Found in their study that financial literacy, occupation and education of investor are very important factor for making investments.

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K. Jothilingam and Kannan	2013	It is found that there is no significant relationship between gender and the objective of investment. However, the relationship between age of the investors and their objective of making investment is statistically significant. Educational level and occupation of the investors have been found to be significantly related to their objective of making investment
Jains and Dashora	2012	In this study they analyzed there is no association between the age of the investors and their investment behavior during bonus announcements.
N.Geetha& Dr M.Ramesh		The objectives were to analyze the factor that influence investment behavior of the people & to study the attitude of the respondents towards different investment choices. In this study they concluded that the respondents were medium aware of the available investment choices, but they were not aware of the stock market, equity & debentures. The study has been concluded that the income level of the respondents affects the portfolio of the respondents.
Rastogi S	2015	Analyzed in his study the behavioral feature in the investment choice making method.
Shukla	2016	The study focused on the salaried person only. The author concluded that majority of the respondents invested their money based on education background and they invested in purchasing home and long-term investment. Respondents have the criteria of investment as safety and low risk.
Amudhan et al.		Analyzed the performance investment Behaviour

		concerned with choices about purchases of small amounts of securities, deposits, mutual fund, insurance, Chit Funds. Researcher confirmed that there looks to a positive degree of correlation between the factors that behavioral finance theory and previous empirical evidence identified the average investor. The result described investment offer to a person's money to gain future income in the form of interest, dividends, rent, premium, pension profit or approval of the value of their standard capital.
Narayana	1976	the most important forms of urban financial investment were bank deposits, shares and securities.
Agarwal and Jain	2013	In their study they found that If the investors have been provided more funds, 50% of the investors would like to invest in Real Estate, 23% in Mutual Funds and only 12% in Equity Shares.
Parimalakanthi and Kumar	2015	found among the respondents and the investment behaviour was found to be better at the time of investment than before investment and post investment. The study also observed that the safety was the foremost preferred aspect among the fixed income segment and investment for safety. Capital appreciation was foremost preferred aspect in long term investment and pride and contingency savings.

Singh and Singh	2015	There was a significant positive relationship between age and insurance, which means that, the increase in age of investor the investor more likely to buy an insurance policy, Income level and education level shows a positive relationship with investment. It means people with high education level and high income level have positive impact on investment.
Sulaiman Ebrahim Kunju	2012	It is generally thought that financial risk tolerance of individual investors decreases with their age. But, the present study fails to support this view, or even provide evidence to the contrary. The common belief is that single people are more risk tolerant than married ones. The present study also shows that there is significant association between marital status and financial risk tolerance. The study agrees that higher levels of formal education increases one's ability to evaluate risk and therefore gives a higher financial risk tolerance
Ms. Lubna Ansari , Ms Sana Moid	2013	If we want to get best out of investment deep understanding of human nature in financial aspect is needed. Adding this investors should develop a positive vision and patience. The most critical challenge that is there before the investors is the area of investment decisions. Whenever the investor is designing the investment portfolio, the investors consider their financial gains as well as the risk factor.
Abhijeet Chandra and Ravinder Kumar	2012	In this study, the principal component analysis is done. The main variables they identify are financial heuristics, self- regulation, prudence and pre-cautious attitude, financial addiction, and informational asymmetry. The biases,

		which include conservatism and under-confidence, that plays a important role in determining investor behaviour
Sevilay USLU DİVANOĞLU1 and Haşim BAĞCI	2018	In their study they have analysed that investors are not only influenced by economic and financial indicators whenever they are making the decision but the past experiences also play a very important role.
Usul, Bekçi, and Eroğlu	2002	In their study they examined the factors affecting investors' buying and selling of stocks. In their study, they found that the factors which affect the investor most was his socio-economic variables when he was buying stocks. They found that the youngest investor were more and women take less risks and elderly person were quick to remove their investment.
Hon	2012	This study analyse the behavior of small investors who are operating in derivative markets in Hong Kong. Their behavior consistently demonstrated the growing importance of return associated with the investment.
Lebbe and Rauf	2014	In their study they studied that psychological prejudices also change the behavior of investors in Bahrain in 2007-2008 economic crises. The main psychological biases that are found were overconfidence, representativeness.
Ede	2007	He studied the behavioral trends for individual investor. In his result, he found that most individual investors were found to under biases and also they have non-rational behavior.

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İslamoğlu, Apan and Ayvalı	2015	In their study they examined individual investor profiles and investor preferences in Bartın. They emphasize on the fact that investors diversify their portfolios according to financial stability and confidence levels that they have on such investment.
Shalini Gautam and Mitu Matta	2016	The two factors which need to be considered while studying financial behavior are the duration of investments and household annual income. It is important that schools should spread awareness and educate the students about various financial instruments.
Bharti Wadhwa , Anubha Vashisht and Aakanksha Uppal	2017	In their study they have researched that financial inclusion has important effect on the economy because of the higher savings collected from investors of the bottom of pyramid.
Ramya .K Dr. Kalpana .M	2017	In their study they have concluded that a strong correlation exists between attitude and intention towards trading. They also told that the personality related factors also impact the trading behavior of the investor.
Prakash pinto, Ajaya& M.M Munshi	2015	They studied that small investors too have positive perception about mutual fund investment. They go for a detailed study before investing their money. They examine performance as well as the reputation of the mutual funds. The investors are very cautious when making any type of investment decisions.
Ravinder Kumar and Abhijeet Chandra	2010	In their study they have found that every individual investor differs in their investment decisions because of the sources they use while making investment decisions.
Singh and Vanita	2002	In their study they have found that investors preferred to invest in public sector mutual funds because

		of tax exemptions.
M.N. Dave & Hitesh. J. Shukla	2014	In their research they have found that there are number of factors which effect the perception in the investors mind. They have specific perception about the product due to the way they visualize the product.
Vanjeko	2007	They have found that investors are motivated by their own opt for risky investments and the investors who are depend on the external environment they go for less risky investment.
Sharma Nishi	2012	In their research they have found that in order to secure the confidence of Indian investor mutual funds companies give regular updates of the information along with the safety rules and monetary aspects.
Vashisht A and Wadhwa B	2015	Financial inclusion also plays a very important role when any investor is taking an investment decision.

III. OBJECTIVES OF STUDY

- To study investors' behavior towards investment.
- To study the investors' preference towards their investment
- To know the risk tolerance level of the individual investor
- To develop a profile of sample Indian individual investors in terms of demographics and demographics based on their occupation.

IV. HYPOTHESIS OF THE STUDY

- H0: There is no significant relation between the gender/ age/ savings and preference towards different financial instruments.
- H1: There is no significant relation between the Investors' optimism and their investment behavior.
- H2: There is no significant relation between the Investors' effort and their investment behavior.
- H3: There is no significant relation between the Risk appetite of investor and their investment behavior.
- H4: There is no significant relation between the Ability of investment decision and their investment behavior.



Research Methodology

The present paper is devoted to study the pulse of an investor. The research is based on primary as well as secondary data. The secondary data is retrieved from books, Journals, online articles, news. Extensive review of literature, relevant articles, reports and the internet. The primary data is collected through interviews and pre tested questionnaire covering National Capital Region (Delhi and NOIDA). The convenience sampling is used and total of 300 questionnaires were collected. The questionnaires were then put to screening and 37 were found to be unfit for this study. Thus, unfit questionnaires were discarded and analysis is done on the basis of 267 questionnaires.

V. ANALYSIS OF DATA

The collected data was analyzed through different statistical tools like:

- **Cronbach Alpha test:** To measure the reliability of the data Cronbach Alpha test has been employed. Cronbach Alpha As commonly accepted rules of thumb the minimum acceptable score of alpha is 0.70 (George and Mallery 2003). In present study it is found to be 0.8723 which is sufficient enough to precede the study.
- **Percentage analysis:** for sorting of data percentage analysis has been used.

Questions	No. of investors	Percentage
Gender		
Male	228	76%
Female	72	24%
Total	300	100%
Age Group		
Below 30	54	18%
30-50	204	68%
Above 50	42	14%
Total	300	100%
Qualification		
Under Graduates	48	16%
Graduates	159	53%
Post Graduates	93	31%
Others	0	0%
Total	300	100%
Marital Status		
Single	36	12%
Married	264	88%
Divorced	0	0%

Widowed	0	0%
Total	300	100%
Occupation		
Student	12	4%
Retired	39	13%
Self-employed	237	79%
un-employed	12	4%
Total	300	100%
Annual Income		
Below 2.5L	21	7%
2.5L-5L	6	2%
5L-10L	108	36%
Above 10L	165	55%
Total	300	100%
Experience in Investment		
Below 2yrs	27	9%
2yrs-5yrs	75	25%
5yrs-10yrs	93	31%
10yrs-15yrs	63	21%
Above 15yrs	42	14%
Total	300	100%
Frequency		
Daily	105	35%
Monthly	93	31%
Quarterly	45	15%
Bi-Annually	30	10%
Annually	27	9%
Total	300	100%
Investing Area		
Equity and stock	97.8	32.60%
Debt Market	13.5	4.50%
mutual Funds	28.65	9.55%
Insurance	35.85	11.95%
Real Estate	22.65	7.55%
Commodities	17.25	5.75%
Bank Fixed Deposits	39.6	13.20%
Post Office MIS	44.7	14.90%
Total	300	100%
Sources of Investment		
Savings	156.6	52.20%
Inherited Amount	64.5	21.50%
Margin Financing	3	1.00%



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Money Extracted from Business	60.15	20.05%
Personal Borrowings	15.75	5.25%
Total	300	100%
Objectives of the Investment		
Short Term Profit Seeking	76.5	25.50%
Steady Income(Dividends)	96.75	32.25%
Long Term Profit Seeking	126.75	42.25%
Others	0	0%
Total	300	100%
Perception For the Losses		
Incorrect Recommendation or Advice from broker/analyst/banker	63	21%
Incorrect Recommendation or Advice from family/friends	39	13%
The market has, in general, performed poorly	138	46%
Committed errors	39	13%
Sheer bad luck	21	7%
Total	300	100%
Perception For the Profits		
Professional help	72	24%
Friends advice and support	33	11%
Bullish market	141	47%
Own knowledge	39	13%
Sheer good luck	15	5%
Total	300	100%

From the above table it has been found that 76% male and 24% were female who has responded the questionnaire. And majority of investors are between the ages of 30-50. It has also been observed that maximum is graduates and having Rs. 10L annual income.

Chi-Square

Chi-Square test has been conducted to test the association between preference of investors towards financial instruments, gender, age and annual savings.

Table 3: Association Between Preference towards Financial Instruments And Gender, Age, Annual Savings			
	Gender	Age	Annual Savings
Chi-Square	17.774	32.03	51.879
P-value	0.05	0.003	0.01
	Accepted	Accepted	Accepted

The chi-square analysis is used to check the hypothesis H0. The p value of .005, .003, and .001 are found to be significant as $p < .05$. Hence there is no significant relation between the gender/ age/ savings and preference towards different financial instruments.

Coefficient of correlation: Pearson's coefficient of correlation has been employed to know the degree of association of Engagement and its factors.

TABLE 4: Correlations of factors towards investor's behavior				
	Investors effort	Risk appetite	Investor's Behavior	
Ability of investment decisions	.493	.491	.215	.732
Optimistic Approach	.457	.268	.812	
Investors efforts	.212	.612		
Risk appetite towards investments	.564			

As per Table 4 it has been found that the degree of relation between ability of investment decisions, investor's optimism, investor's effort and investor's behavior is moderate. And the degree of relation between risk appetite and investor's behavior is comparatively lower.

Multiple regression analysis: As the objective of this study is to identify and assess the effect of components on Investor's behavior, the method of multiple regression analysis has been chosen, as it helps in assessing the individual and the combined effect of independent variables (ability of investment decision, investor's optimism, investor's effort, risk appetite) on the dependent variable (investor's behavior).

Regression is the determination of a statistical relationship between two or more variables. In simple regression, there are only two variables; one variable (defined as independent) is the cause of the behavior of another one (defined as dependent variable). Regression interprets what exists physically i.e. there must be a physical way in which independent variable can affect dependent variable. As the objective of this study is to identify and assess the effect of components on Investor's behavior, the method of multiple regression analysis has been chosen, as it helps in assessing the individual and the combined effect of independent variables (ability of investment decision, investor's optimism, investor's effort, risk appetite) on the dependent variable (investor's behavior).

TABLE 5: REGRESSION ANALYSIS OF INVESTOR'S BEHAVIOR AND ITS FACTORS			
R	R Square	Adjusted R Square	Std. Error of the Estimate
.970	0.941	0.939	4.155

The steps used in conducting the regression analysis on the above sample are as follows:

$$Y = A + B_1X_1 + B_2 X_2 + B_3 X_3 + B_4X_4 \dots \dots \dots (1)$$



Y = dependent variable representing the Investor's Behavior.
B1, B2, B3, and B4 are the coefficients of the regression equation

X1 = Investors optimism, X2 = Investors effort, X3 =Risk appetite, X4 = Ability of investment decision, A = Constant term.

From the above table we can analyze that the regression co-efficient (R) = 0.970 which shows that the independent factors do have a significant impact on the Investor's Behavior.

Investor's Behavior (Y) = 0.219 + 0.514 Investor's optimism + 0.114 Investor's effort+ 0.290 Risk appetite + 0.411 Ability of investment decision.....(2)

It can be seen that all the independent variables (Investor's optimism, Investor's effort, Risk appetite, Ability of investment decision) have an impact on Investor's Behavior (quotient Y as shown in above equation.)

VI. CONCLUSION

The awareness of investment knowledge is not much high. People are helped by financial portals, financial news channels, financial newspapers; various markets related T.V. shows, Expert talks, magazines. For Indian public money is everything. So they are more sensitive about their money. They will think hundred times before investing in any market and will expect more than that. They feel that they are having enough money, time, resources and opportunities with them for investing. Though they are having some knowledge of financial market and economic condition of India yet they lack the edge above the others as this field is very unpredictable and volatile hence they must be backed up by a financial planner. Encouragement should be given to invest for the long term. "Financial literacy campaign" should be organized time to time as many people are still unaware of stock market and in India there is youth which is untapped. Also Banks and financial services do the financial inclusion. People give more importance to savings so as per their likings more opportunities should be provided. Many times it may happen that people land up in mess or huge losses due to not proper information or guidance, and if they want to know where they are going? A financial planner would do a world of good to them.

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