



# Factors influencing investors' decision and pattern of investments: An empirical study in Delhi-NCR

**Amrinder Kaur**

Sri Guru Nanak Dev Khalsa College, University of Delhi, Delhi INDIA

Email Id: [amrinderkaur1979@gmail.com](mailto:amrinderkaur1979@gmail.com)

**ABSTRACT:** Financial markets now operate quite differently. Due to the vast array of savings and investment firms, the products they offer, the terms and conditions of investments, and the numerous complicated laws and regulations that are in place, investing money has become a highly complex process. Most of the investors, despite the remarkable growth of economy and high-income levels living in metropolitan cities are found unaware about investment avenues and rules and regulations. The present study is an attempt to analyse the awareness level of people in Delhi NCR about various investment avenues on the basis of their demographic profile. On the basis of chain-referral sampling, the research was done by employing a structured questionnaire from 260 sample respondents using Google Form. The study's results show that individuals are quite knowledgeable about bank deposit plans, which are followed by life insurance plans, post office savings plans, and provident funds. Conversely, people know very little about demat services, the stock market, and mutual funds.

**KEYWORDS:** Investment, awareness, household, equity market

## 1. BACKGROUND

Investment decisions of an individual is significantly depending on his or her salary and the amount of risk they are willing to face (Boro, 2015; Shaikh, 2020; Verma, 2015). For some couples, investing in insurance is their last option, while for others, they don't consider the offer market. Regularity in giving and degree of savings also play a significant role in choosing the projects. In India, individuals typically try to save more money than they do in theory, which takes into account potential (Mbama & Ezepue, 2018; Ozili, 2020).

The combination of buyers and sellers of stocks, also known as offers, is a financial transaction. These assurances may include those that are simply exchanged under the table as well as those that are documented on a stock exchange (Gupta et. al., 2021; Yadav et. al., 2022). It is a reliable way to assess a nation's financial health (Bhatia & Mittal, 2019). It accepts a significant role in a financial framework. It provides enticing opportunities for interest in a variety of insurances. These alluring

open entrances urge consumers to save more and invest in corporate region guarantees rather than ineffective assets like gold, silver, etc. (Kumar & Mittal, 2014) In addition to commitment markets, which are typically all the more compelling even when they don't trade unconditionally, it is one of the most important ways for groups to generate money. The capacity to get accounts is cash-related. One common definition of financial competence or cash-related guidance is "outfitting nature with and comprehension of budgetary market items, including rewards and hazards, all while selecting advised options." Cash-related training is especially important for individuals who are resource poor, who labour on the edge, and who are vulnerable against steadily declining budgetary loads in nations with diverse social and fiscal profiles, like India. More specifically, financial training implies the combination of skills and knowledge that enables a person to make educated and innovative judgments based on their understanding of the past.

According to Blomstrom & Kokko (2000), investing decisions are influenced by a person's age, education, occupation, and income level. The study discovers that the majority of investors prioritise bank savings as well as investment safety when deciding which alternative investments to make. According to Uma (2021), working women prefer fixed deposits in banks as a safe investment choice and as a way to reduce their tax liability. Women also choose gold as a smart alternative to bank deposits for investments. Research on how women investors see investments employment and educational attainment had little impact on women investors' knowledge (Adebawojo, 2020).

It should be noted that socioeconomic, cultural, and psychological aspects have an impact on consumers' purchasing decisions. The same characteristics also affect how rural investors behave. One of the important considerations in choosing and investing in a certain financial instrument for rural investors is their socioeconomic situation (Mittal, 2020). Aside from the expansion of schooling and rising levels of literacy, villages see a considerably slower rate of financial literacy. Financial exclusion affects many people. However, the government's Financial Inclusion Program and the Prime Minister's Jan Dhan Yojana will undoubtedly raise the degree of financial literacy and investment knowledge among rural residents. The strong economic growth of the country has given rise to a number of investment opportunities. Investors have access to a wide range of products in addition to bank and post office savings. The investor has to be familiar with the fundamentals of investing, the dangers involved, and the tools that provide high returns. The goal of the current study article is to emphasise individual investors' savings and investing habits as well as how they see different investment opportunities.

## 2. LITERATURE REVIEW

Previous research has focused on evaluating the general level of public awareness on financial matters, products, protection, and securities exchanges (Mittal et al., 2021; Mittal & Raghuvaran, 2021). For instance, Maripally & Bridwell (2017) explored and tested five key skill areas of financial proficiency: fundamental concepts, financial markets and their instruments, planning, analysis and basic leadership, and protection. The experts came to the consensus that college freshmen lacked both aptitude and education in financial matters. The Australian Financial Literacy Assessment conducted by the Commonwealth Bank Foundation has produced comparable inferences. Additionally, Goswami & Sinha (2019) found a severe lack of knowledge among the general public, particularly among the elderly, women, and those with limited education while surveying familiarity with speculators about understanding of enthusiasm intensifying, impacts of swelling, and risk expansion.

The socioeconomic climate has a significant impact on how investors view and behave when it comes to saving

and investing options (Che, 2018). Investor behaviour is influenced by factors such as financial services accessibility, education, income level, values, conventions, and beliefs. According to there is no discernible variation in the expected rate of return between male and female investors. According to Bansal & Goel (2021), compared to urban residents, rural residents have extremely little knowledge about investment opportunities.

In their empirical study, Barick et. al. (2016) found that Indian individual investors are cautious investors. The number of dependents, marital status, income, and occupation are all important variables that affect risk tolerance. According to research by Jasna (2016), gold was preferred by investors above bank savings, life insurance, and postal deposits.

Investors prioritise principal protection, liquidity, and capital development; they first discover about mutual fund schemes via newspapers and magazines; and the main difference when picking a mutual fund is investor care. In his study of the factors influencing retail investors' decision-making, Kannadashan (2006) discovered that a variety of dependent variables, such as gender, age, marital status, educational attainment, income level, awareness, preference, and risk-taking prowess, influence the choice. The investor favours principle protection, consistent returns, long-term growth, tax advantages, etc. The mutual fund schemes were created based on investor preferences, developments in the stock and capital markets, returns on various instruments, and changes in investor profiles. The top administration of the mutual funds creates and conceptualises the schemes, which are then promoted by their branches and through agents. The degree of investor confidence affects a mutual fund's success. UTI has created a nationwide marketing network that includes branches, chief representatives, collecting centres, and franchise offices.

According to Upadhyay et. al. (2019), in order to increase awareness, investors should receive investing education and be well-informed about their options via TV, the internet, newspapers, and trade publications. Investors choose to invest in shares, bank deposits, gold, real estate, life insurance, postal savings, and mutual funds. They discovered that bank deposits were a common choice for investors. The study's findings showed that income level and investing awareness were not significantly correlated. Print media and internet were identified to be the two most significant information sources that aided investors in making investment decisions (Zachosova et. al., 2018). Investors have given public provident funds, insurance, and postal deposits precedence. The choice of individual investors is influenced by family income, the timing of investments, and savings goals. Studies have also examined the significant changes in investor behaviour brought about by post-economic reforms, and they have come to the conclusion that insurance and bank deposits

are the most popular investment options, and that returns, tax advantages, and security are the main decision-making factors (Bansal, 2020; Kler, 2017).

According to a review of the research, the bulk of studies have largely concentrated on how investors perceive the risk associated with particular investing strategies (Kabakova & Plaksenkov, 2018). Studies already conducted encompass elements including risk considerations, attitude toward saving and investing, tax planning, etc. that influence investment decisions. However, no research has focused in metropolitan cities like Delhi to determine the factors of individual investors decision and patterns of investment.

**3. RESEARCH METHODOLOGY**

The study has used a structured questionnaire to collect data from 260 respondents. Questionnaire was administered thru google form in Delhi-NCR. Snowball sampling technique has been used to conduct the survey. The questions were related to the demographic characteristics like age, income, marital status, education, awareness level of the investment options and the investment patterns.

The data has been analysed using SPSS V 26.0. The results have been presented using statistical techniques like frequency distribution, descriptive statistics, and crosstabulations. The study has also presented the rank analysis on the basis of the priority of choosing the investments.

**4. DATA ANALYSIS**

**4.1 Annual Savings**

Table 1: Annual savings (Nos & %)

S. No.	Annual Savings	No. of respondents	Percentage
1.	Below Rs.1 lac	60	23.1%
2.	Rs.1 to 2.5 lacs	66	25.4%
3.	Rs.2.5 to 5.0 lacs	76	29.2%
4.	Above 5.0 lacs	58	22.3%
	Total	260	100%

Table 1 show the annual savings of the respondents. Respondents show good saving habits. Majority of respondents (54.6%) are saving from Rs. 1 to 5 lacs annually. Around 23.1% respondents reveal that they are saving less than 1 lac in a year for investment purposes. Around 23% respondents say that the savings are more than 5 lacs in a year.

**4.2 Factors Influencing Investment decisions**

Table 2: Factors influencing investment decisions

S. No.	Factor	No. of respondents	Percentage	Rank
1.	Risk	133	51.2%	3
2.	Return	142	54.6%	2
3.	Lock in period	129	49.6%	4

4.	Minimum investment requirement	143	55.0%	1
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Table 2 show the perception of respondents about the factors influencing investment decisions. Maximum respondents show their preferences on choosing investment options looking at the minimum funds required to investment. Around 54.6% respondents say that they look for returns on investment and choose for the options. There are less number of respondents in comparison to other factors who look for lock in period. It can be summarized that investors look for the minimum investment requirement followed by returns, risk, and the lock in period.

**4.3 Investment Preferences**

Table 3: Investment preferences

S. No.	Investment options	No. of respondents	Rank	Rank
1.	Fixed deposit	136	52.3%	1
2.	Recurring deposit	107	41.2%	8
3.	Equity market	127	48.8%	5
4.	Mutual funds	132	50.8%	4
5.	Real estate	135	51.9%	2
6.	Gold	133	51.2%	3
7.	Post office savings	118	45.4%	6
8.	Personal provident funds	115	44.2%	7

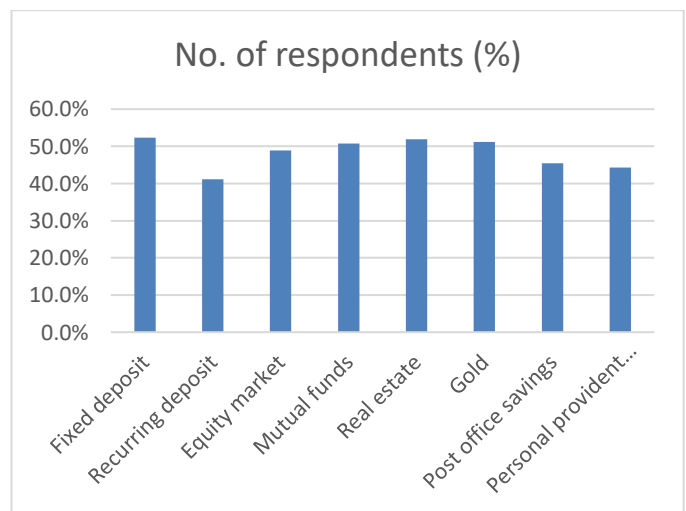


Figure 1: Investment preferences

Table 3 show the investment preferences among the various options available in the market. Respondents prefer fixed deposit (52.3%) as their number one option followed by real estate (51.9%), gold (51.2%), mutual fund (50.8%), equity (48.8%), post office savings (45.4%), PPF (44.2%), and recurring deposits (41.2%).

## 4.4 Annual Savings and Investment preferences

Table 4: Annual savings and investment preferences

Annual Savings	Fixed deposit	Recurring deposit	Equity market	Mutual funds	Real estate	Gold	Post office savings	PPF
Below Rs.1 lac	23	20	26	30	28	29	26	34
Rs.1 to 2.5 lacs	36	30	31	34	31	26	26	29
Rs.2.5 to 5.0 lacs	40	33	44	42	46	46	36	22
Above 5.0 lacs	37	24	26	26	30	32	30	30
Total	<b>136</b>	<b>107</b>	<b>127</b>	<b>132</b>	<b>135</b>	<b>133</b>	<b>118</b>	<b>115</b>

Chi-square test value = 17.73, p-value = 0.038 (significant at 5% level)

Table 4 show the crosstabulations of annual savings and the investment preferences of the respondents. Results indicate the highest number of respondents with annual saving between 2.5 to 5 lacs prefer for real estate and gold as the first option. Fixed deposit is also popular in all groups of annual savings. Recurring deposit is least preferred in comparison to other investment options.

**FINDINGS OF THE STUDY**

Results indicate the following key findings of the study:

1. Majority of the respondents have savings more than 2 lacs in a year and indicates a good amount of savings among the respondents annually.
2. Most respondents show minimum funds requirement as their main concerns and has a significant impact on the investment decisions and patterns of investment.
3. Most respondents have preferred fixed deposits, real estate, gold, mutual funds and equity as preferred investment opportunity.
4. Most respondents in the with annual saving between 2.5 to 5 lacs prefer for real estate and gold as the first option.

**CONCLUSIONS**

Individuals' income levels have increased along with economic growth and development, and so have their saving habits and patterns. Most respondents donot consider about advantages and disadvantages of tax to decide on investments. They prefer to receive return benefits from the investments. Despite of higher returns on derivatives and equity markets, they prefer to include a lower proportion of stocks in the portfolios. This work highlights how different investor types behave. For each investor, choosing the ideal investment channel is a challenging process. In order to learn more about the tastes and choices of a sample of investors chosen at random from a wide population, this endeavour is being done. Despite the survey's many shortcomings, we were able to spot certain similar investing patterns among these individuals, and a large number of them gave the study favourable responses. Based on the investors' level of income, this analysis focused on establishing their preferences for different investment opportunities. Investors still choose financial products that offer risk-

free returns when choosing a certain path. This demonstrates that Indian investors, while having high incomes, being well educated, earning good salaries, and being independent, are conservative and want to play it safe.

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