A Study of Investment Pattern of a Common Man: A Literature Review

Divya Verma¹, Dr. Deepak Sahni²
¹Assistant Professor, ²Dean Management,
Shri Guru Ram Rai University, Dehradun, Uttarakhand, India

ABSTRACT
In India where and how the people make investment of their earned money is a very important decision because all investment avenues professed risky by investors. Investment refers to any mechanism used for the purpose of generating future income. The main features of investment are safety of principal amount, regular return, and liquidity. There are various avenues of investment available such as shares, bonds, debentures, gold, mutual funds, FDs etc. Indian people usually having a habit to save money for future but mostly people are not able to make appropriate investment decisions because people are not much aware about the various financial product available in market. As each financial product is unique in terms of risk and return. The objective of the research is to study the various factors that affect the choice of investment of a common man. Various research has been conducted in this area but there is scarcity of literature that shows whether people are able to make appropriate decision in regard to achievement of their investment goals and whether the performance of their selected avenues are able to meet their expectations. So this study is conducted to analyze the available literature on investment patterns to get an insights of the investment pattern of different class of people.

KEYWORD: saving and investment, investment decisions, investment avenues, investment awareness

1. INTRODUCTION
In ancient times, people usually make investment in gold and lands because there was no other option available for investment as our financial system was also not developed at that time but gradually with passage and need of time a financial system has been developed. Now today there are multiple options available for investment. But people are not aware about these options fully as all investment avenues carry different risk with different returns. Investment is very important for every person in today's scenario in order to live better live in future. Every person want to make investment with the hope of good return as if savers do not invest their money, they will not only lose possible returns but will also lose value of their money due to inflation. golden rule for investment are:
A. Invest early
B. Invest regularly
C. Invest for long term

There are different investment avenues available like share, bonds, debentures, mutual funds, real estate, FDs, Gold and bank deposits etc. In India people usually having a habit to save money so they do, but they are not able to make appropriate decisions regarding investment. Many people are not aware about the various alternative investment option as they only make investment in bank deposits or in gold. Those who are aware about the various investment options doesn’t want to take risk as investment in stock market, equities and mutual funds are subject to market risk. Investment can be done in more than one product at same time this kind of investment is called Portfolio investment. this kind of investment is done in order to minimize risk. As loss of one of product will offset with profit of another.

There are no of Factors that affect the investment decisions of an individual. Factor like age, gender, income, occupation and risk tolerance are the most important one because investment avenues carries risk. Some will carry high risk, some will carry moderate risk and Some will carry low risk, that’s why risk bearing capacity is a crucial factor that influence decisions.

The objective of every individual who make investment is to get good returns, but it is observed that there is a gap between individuals perceived return and actual return. The mistake is done by people in making decisions regarding investment which influence by risk bearing capacity of an individual .the research indicates that sometimes people over estimate their risk tolerance level because in desire of high return and show of in society. This statement is very true in finance “High risk, high return and Low risk Low return ” therefore proper awareness and analysis should be required regarding risk and return before making investment in any product.

TYPES OF INVESTMENT
There are mainly two categories in which investment can be classified first is equity investment another one is debt instruments. Equity investment give high return as well as...
carry high risk, while debt instruments carry low risk and offer low returns. Different types of investments are:

A. Stocks: Stocks are ownership certificates of shares of any company. Stocks are of two types first one is common and second one is preferred stocks.

B. Bonds: Bonds are fixed income instruments, representing lending of money to government or any financial institution, which gives fixed interest at regular intervals and also face value on maturity.

C. Mutual Funds: In this, funds are collected from different investor’s and invest that money in company’s shares, bonds and short term debt instrument which are managed by fund managers. The combined holdings of mutual fund are also known as its portfolio.

D. ULIP’S: Unit linked insurance plans are one of the types of investment that provide both investment and life insurance benefits. It also offers tax saving benefits of up to Rs1,50,000 under Sec 80C.

E. Public Provident Fund (PPF): It is a government offered saving scheme that invest fund for specific time period and provide return on the same.

2. Objectives of the study

A. To study the various factors that are considered while making an investment.

B. To study the gap in current literature.

3. Research methodology

Research methodology used is descriptive in nature. Secondary data is used in the study, the data and other relevant information for the study has been collected through books, research articles, research journals and other online resources.

4. Limitations of the study

A. General factors have been considered for analyzing the objective of making an investment.

B. Study is based on secondary data.

5. Literature review

K. Parimalakanthi and Dr. M. Ashok Kumar 2015 “A Study on Investment Preference and behaviour of Individual Investors in Coimbatore City” this research paper study the behavior of individual investors of Coimbatore city vis-a-vis available investment avenues in the Indian financial markets. According to researcher the major factors behind an investment are the safety of principal amount, liquidity, income stability, and appreciation.

Murlidhar Ananda Lokhande. 2015 “A Study of Investment Awareness and Pattern of Savings and Investment of Rural Investors ” The study attempted to find out the awareness of rural investors about various investment avenues, their preferences and considerations for investing money. A sample of 300 respondents was selected from four villages from Silod block of Aurangabad district, Maharashtra. The major focus of the study was on investigating whether there was difference between investment awareness level and educational qualifications of male and female rural investors. The study disclosed that there was no significant difference in awareness level of rural male and female investors and their educational qualifications. The investment preference order of the respondents indicated towards secured investment attitude. Bank deposits, gold and jewelry, real estate were popular investment avenues for majority of the investors.
Dr. C. M. Shinde*, Priyanka Zanje** 2015 “A study of investment pattern based on demographic traits” researcher stated that investors behavior is influenced by many factors while making investment decisions and demographic factor is one of the important factor among them. researcher made an attempt to analyze the effect of demographic factors on investors level of risk tolerance. Research is based on primary data and various statistical tools were used to analyze data. Researcher concluded the study by stating that all age group prefer investment in insurance, PPF and bank deposit, income is also an important factor that influence the decision as low income group and middle age people preferred investment in insurance, NSC, PPF and deposits. demographic factors like income, age and qualification affect the investors level of risk tolerance. managers give better advice to the people on the basis of their demographic profile.

Geethu Gopi* D Priyanka** and R Preetha *** 2018 “An insight into the savings and investment pattern of salaried people working in private sector of shipping industries at Ernakulam” Researchers attempted to study the investment preference of salaried people working in shipping industries in Ernakulam district. study is based on primary data various statistical tool like correlation analysis, T- test, Chi Square and percentage analysis is used to analyze the data. According to them investment is path through which money move from area where it is surplus to the area where it is deficit. The Major finding of the study was that salaried class people now understand the significance of money that’s why they planned their expenditure accordingly so that their money wouldn’t spend on unnecessary things and the study evident that mostly savings of the salaried people directed towards their personal things like children’s education, marriage and retirement plans.

Sachin Kumar Rohtagi* Dr P. C. Kavidayal** Dr Krishna Kumar Singh 2019 “A study of savings and investment patterns of Small Investors: A literature Review” study is focused on available literature on saving and investment pattern of small investors in Uttarakand region of India. Researcher try to find out the gap in the available literature. researcher concluded the study by stating that small investors are heavily depend on their peers advice for investment because of lack of financial literacy, there is need to provide a good study material to small investors so that they enhance their skill and make their own decisions.

Ankurita Bansal 1, Dr. Sunita Sukhjia2 2019 “A study on factor influencing Investment Patterns and behavior of individual investor in Punjab and Haryana: A Comparative Analysis” according to researcher money play significant role in everyones life. For present and future needs it is important for one to invest their money. investment is portion of money which have been saved from current consumption with the expectation that it will give some benefits in future. Nowadays various investment options are available for investing money like saving account, deposits, government bonds, mutual funds, real estate, shares etc for short term and long term investment. The choice of investor is influenced by no of factors but it also depend on the preference and behavior of investors, primary data is used in the study and T Test and SPSS software is been used for analyzing the data. After analyzing the data researcher observed that there is no significant difference between the investment patterns of individual investors of Punjab and Haryana.

Zankhana Atodaria a, Ronikadevi Sharma b 2019 “ Investment pattern of salaried class of Sonnath (Daman) – A Study of various investment options available” the aim of the research is to analyze awareness, perception and behavior regarding different investment avenues available for salaried people and pattern of investment. according to them most of the people are not aware about making an investment in share market so they prefer traditional investment options. Researcher found that motive of the salaried people of investment is dependent on age. the factors considered by salaried people while making investment is regular return and tax liability. Secondly they make investment because of availability of information about investment and service provided by investment agents. Majority of the people belong to age category of 21 to 40 make investment to meet their future needs and improvement in standard of living.

Ashish Dewan * R Gayatri ** Rishi Dewan*** 2019 “ A research on investment behavior of corporate and individual investors from southern India” researcher aims to identify the behavior of investor of corporate and individual investor and also make their comparative analysis. study is based on primary research, after analyzing the data researcher identify the four factors that influence the behavior of corporate and household individual these factors are company specific factors, investment related factors, investors related factors, market or environment related factors. from comparative analysis of corporate and household investors it is observed that corporate investors are interested in getting knowledge about market, SEBI rules, external environment and internal information of the company issuing securities. Investment behavior of Individual investors got affected by personal factors like savings, consumption pattern, knowledge, skills, risk bearing capacity, friends and relatives.

### 5.1. Factors affecting choice of investment by individuals

There are no of factors considered by individual while making investment decision to build a solid investment portfolio it will depend on family background, personal profile, no of dependents etc.

**A. Risk:** Risk is one of the important factor that considered while making decisions, willingness to take risk highly effect the investment choice. If someone is comfortable with daily volatility of the market, he/she can build aggressive portfolio.

**B. Return Expectations:** Everyone wants to invest savings with an expectation to earn return on investment. return on investment play significant role in choice of investment. Each investment has its associated risk and expected return. Investor should know that there is tradeoff between the risk and return. Higher the expected return, higher would the associated risk.

**C. Income and net worth:** Income and net worth of an individual are also an important factor that considered while making investment decision. Individual with good fund have access to wide range of investment options while new investors or persons with limited fund have limited selection.
D. **Time horizon:** Time duration of investment is also considered one of the important factor while making investment decision. Investors with short time duration prefer conservative investments with low chance of going down in value when they need it. Investors with long time duration may choose riskier investments as there is longer time to regain short term losses.

E. **Investor knowledge and experience:** An investor’s knowledge and experience is considered as important factor in making their investment decision. Most of time person rely on advice of family, friends and relatives. Experienced investors understand the risk involved and choose their own investment.

6. **Research Gap**

What measures can be taken to educate the investors about risk and return so that they can achieve their investment objectives is no where studied. This can be used for future study.

7. **Conclusion**

Investment is process of saving money to meet the future needs. After analyzing the papers it is been observed that people want to save money but many of them are not aware about the other investment avenues like equities, bonds, mutual funds etc. As they don’t have enough financial knowledge about risk and return, they preferred the traditional modes of investment like gold, bank deposits or investment in land. Investment of salaried class people depend on age and they make investment in order to get regular return and to avoid tax liability. Low risk bearing capacity and lack of financial education influence the investment decision of working women. There are no of factors that influence the investment decision like risk, expected return, investors income, time horizon, investor’s knowledge and experienced. Small investors are highly depend on their peers advice for their investment as they lack in financial literacy, sometimes people also rely on the information provided by the agents for making investment. Investment is a crucial decision that carry risk, investors cannot control risk but they can manage risk by making appropriate investment strategy that suit their income and risk bearing capacity. Financial literacy is very important for every individual in order to make a good investment decision.

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