Analytical Study on Awareness of Individual Investor for Investment Planning

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Abstract: -- In today's world, people are focused on investment. An investment is an asset or item that is purchased with a hope of generating income or getting appreciation in future. In an economic sense, an investment is the purchase of goods that are consumed today but are used to create wealth in future. Investing is really about "working smarter and not harder". Everyone is interested to invest his/her money in such a way that it creates wealth when required, but many a time due to unawareness of best investment plans it leads to lower returns than expected. This paper deals with an awareness level of individual investors and their investment planning. A survey is conducted in order to know different styles of investment planning performed by different types of people like male/female, government job/business/private job, the percentage of income people wish to invest, type of investment, risk taking capability and so on. An analytical study is performed with the data from the survey and is presented in the paper. This paper also deals with a case study showing how an investment could be better planned for achieving one's financial goal.

Index terms: Investor, Investment planning, Survey, Analytical study.

I. INTRODUCTION

An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future [1]. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will be sold at a higher price for a profit. If a person has advanced some money to another, it could be termed as loan, which may be considered as his investment for a return. If a person has purchased 100 gms. of gold for the purpose of price appreciation or it is his investment. If he purchases an insurance plan or a pension plan, it is also an investment. Investment is the sacrifice of certain present value for the uncertain future rewards. It entails arriving at numerous decisions such as type, mix, amount, timing, grade etc. of investment [2]. An investment decision is a trade-off between risk and returns. The major objective of investor is to invest in a variety of investments that deliver expected returns and meets the risk preference. Once your investment plan is set in motion, your portfolio needs on-going management. That review can occur, monthly, quarterly, half yearly or annually, depending on the types of investments. An investment is an asset intended to produce income or capital gains. Investing is really about "working smarter and not harder." Spending is easy and gives instant gratification whether the splurge is on a new outfit. All of these are wonderful and make life more enjoyable. But investing is required for prioritizing our financial futures over our present desires. Investing is a way to set aside money while you are busy with life and have that money works for you so that you can fully reap the rewards of your labour in the future. Investing is a means to a happier ending [3].

Appreciation is an amount an investment grows in value. For example, you buy a share of stock for Rs. 10000/- . And a year after it is worth Rs. 15000/-. The stock has appreciated by Rs. 5000/-.

Dividends are usually cash payments that are paid out on financial investments based on the success and earnings of a company. For example, you invest in Microsoft stock, and it pays a dividend of Rs.5000/- a share .If you owned 500 shares you would get paid 500* 5000. which is Rs.25000/-. The dividend paid is tax free.

Interest is the fee a bank, institution, or government pays you for loaning them money through the purchase of a FD or RD. You can also earn small amounts of interest on savings account.

Three fundamental characteristics are safety, income and growth. The emotional and cognitive weaknesses of investors come in the way of their investment decisions [4]. Many researchers have tried to classify the investors on basis of their relative risk taking capacity and the type of

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investment they make. The investors generally have behavioral biases that lead to some systematic errors in the way they process information for investment decisions. Again some evidence also suggest that factors such as age, gender, education, income, residential place, marital status effects on an individual's investment decisions.

It is important to study the relationship between various demographic factors and investment personality exhibited by the investors. From the various behavioral finance research one thing is clear that the success is not depends upon the knowledge, smartness, hard work, academic degree the investor have earned, rather it depends upon the investors ability to identify, understand and act upon their investment psychology and demographic features.

Thus the investment objectives for the individual investors depends upon the level of risk tolerance, returns to be generated, age, time horizon and other associated factors[5]. The investment objectives may be one or more of the following:
- To earn regular monthly income
- To plan for retirement
- To plan for emergency expenses
- To plan for children education

Investment Constraints
Constraints can be anything which restricts an investor in the investing in his choice of investment [6]. The constraints that an investor faces can be any of the following:
- Risk tolerance level: The investor may not be able to take higher risk to earn high returns.
- Time horizon for investment: Childs education requirement in the near future may not permit the investors to invest in long term investment options.
- Liquidity requirement: An investor having dependents in the family especially elderly, may need higher amount of liquidity to meet expenses.
- Save taxes: To save tax one has to invest in dedicated tax saving instrument which may not yield high returns or which may not be liquid enough.

Survey
Objective of the Survey:
The main objectives of the survey are:
- To assess the investment knowledge of the investors.
- To find the awareness, pondering and attitude of the respondent.
- To study the investment objectives of the investors.
- To study the constraints faced by the investors while investment planning.

Aim of the Survey:

Aim of the survey is to understand
- The broad level human behavior towards investment planning for money management or personal finance.
- Attitude towards share market or mutual funds.
- Investment patterns (Gold, FD, Property, shares, mutual funds, etc.)
- Amount of investment percentage of total income
- Time horizon and purpose of investment
- The study has further scope for research on Risk taking capability of an individual (Risk reward perception)
- Level of satisfaction towards investment.

Research Methodology for survey
The geographical area is selected for the study was Aurangabad city. Primary data is collected through a structured questionnaire. The sample size initially planned to be 200 respondents. Final data were analyzed based on sample size of 200 respondents. Questionnaire comprised of four sections (a) demographic information (b) income and investment related (c) investment objectives and (d) constraints liker scale was used for some of the questions. The sampling frame of the study was selected professionals, businessmen, and executive in private and public organizations.

'Stratified sampling' method was used by which investors were identified. The population was divided into several sub population that were individually more homogeneous than that of the total population and then researcher selected item from each tantrum. Within the strata of investors, data was collected from investors working in private or public (government and semi government) organizations; professionals such as lawyers, doctors, engineer, lecturers, CA'S and CS'S and those running business or are self-employed. Microsoft excel spread sheet has been extensively used for assessing the investment knowledge, objectives and constraints.

Research methodology is a base of a research work. It provides a line of action to the researcher on the basis of which he/she carries on his/her research study on a particular topic.

The following research methodology was adopted for the proposed research work:

A) Selection of Area
As the present study is based on Aurangabad city, so the personal survey work of investment planning and investors was done in this area of district only.

B) Period of Study
The proposed research study has been conducted at both macro and micro levels. For macro level study the research period remained from September 2017 to October 2017.

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C) Data Collection Producers

The present study is based on both primary and secondary data. A thorough search of government servicemen, private service, businessman and others as well as organizations associated with finance sector of district was made to collect the 20 information regarding the growth of awareness of investment planning. Two detailed questionnaires were framed and pre-tested to collect the necessary information from the respondents. Open-ended questions as well as multiple coding of the answers were done for better communication with the respondent. In the questionnaires necessary adjustments were made in the light of experience, thus gained during pilot-survey.

D) Data Entry

Data and information collected from different sources were tabulated chapter wise so as to make the study systematic and scientific. The tabulated data were illustrated diagrammatically and graphically to concentrate each and every aspect of the study. After tabulation of data and information, an analysis of each table was made using appropriate statistical tools

Questionnaire for the survey

M.S.P Mandal's

Deogiri Institute of Engineering and Management

Studies, Aurangabad

Department of Business Administration

"An analytical study on awareness of

individual investor for investment planning"

Questionnaire for Respondent

Name: ....

Contact No./Email-id: ....

Q.1) What is your age group?

A) 20-40 years B) 30-40 years C) 40-50 years, D) 50-60 Years, E) 60+ years

Q.2) What is your occupation?

A) Government service B) Private Service C) Business D) Professional services E)Others

Q.3) What is your annual income?

A) 1- 2.5 lakhs B) 2.5-5 lakhs C) 5-7.5 lakhs D) 7.5-10 lakhs E) 10+ lakh

Q.4) How much percentage of your income do you invest?

A) Less than 10% B)10%-20% C) 20%-30% D)30%-40% E) 40% and above

Q.5) Where would you like to invest the money?

A) Fixed Deposit B) Sovereign bonds (Gold, Silver etc.) C) Real Estate D) Mutual Funds/ stock market E) All of the above

Q.6) What is the time period of your investment?

A) Less than one year B) 1-5 year C) 5-10years D) 10+ years

Q.7) Why do you want to invest money?

A) For Tax saving B) For retirement C) For children education D) For better returns E) Others

Q.8) Would you like to go for the best possible returns ever if there were risk involved?

A) Always B) Usually C) Sometimes D) Rarely E) Never

Q.9) How would you describe your typical attitude when making important financial decision?

A) Very Adventurous B) Fairly Adventurous C) Average D) Fairly cautious E) Very Cautious

Q.10) Do you know how to invest in stock market/ trading?

A) Yes B) No

Q.11) Do you know how to invest in mutual funds?

A) Yes B) No

Signature : ....

Date: ..../......./........

Analytical study of the survey response:

		What is your age group p	What is your occupation	What is your annual income	How much percentage of your income do you invest	Where would you like to invest the money	What is the time period of your investment	Why do you want to invest money	Would you like to go for the best possible returns ever if there were risk involved	How would you describe your typical attitude when making important financial decision	Do you know how to invest in stock market/ trading	Do you know how to invest in mutual funds
N	Valid	200	200	200	200	200	200	200	200	200	200	200
	Missing	0	0	0	0	0	0	0	0	0	0	0
Mean		1.60	2.74	1.74	2.03	2.28	2.11	2.59	2.60	2.67	1.51	1.44
Median		1.00	2.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	2.00	1.00
Mode		1	2	1	2	1	2	3	3	2	2	1
Std. Deviation		.946	1.331	1.048	1.039	1.425	.801	1.237	1.249	1.265	.501	.497

Table.no.1 Statistical data of complete data

What is your age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30 years	130	65.0	65.0	65.0
	30-40 years	32	16.0	16.0	81.0
	40-50 years	29	14.5	14.5	95.5
	50-60 years	6	3.0	3.0	98.5
	60+ years	3	1.5	1.5	100.0
	Total	200	100.0	100.0	

Table.no.2 Statistical data of age group

What is your occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government Service	32	16.0	16.0	16.0
	Private Service	76	38.0	38.0	54.0
	Business	41	20.5	20.5	74.5
	Professional Service	14	7.0	7.0	81.5
	Others	37	18.5	18.5	100.0
	Total	200	100.0	100.0	

Table.no.3 Statistical data of occupation

What is your annual income				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-2.5 lakhs	115	57.5	57.5	57.5
	2.5-5 lakhs	44	22.0	22.0	79.5
	5-7.5 lakhs	24	12.0	12.0	91.5
	7.5-10 lakhs	12	6.0	6.0	97.5
	10+ lakhs	5	2.5	2.5	100.0
	Total	200	100.0	100.0	

Table.no.4 Statistical data of annual income

How much percentage of your income do you invest				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10%	73	36.5	36.5	36.5
	10%-20%	75	37.5	37.5	74.0
	20%-30%	32	16.0	16.0	90.0
	30%-40%	14	7.0	7.0	97.0
	40% and above	6	3.0	3.0	100.0
	Total	200	100.0	100.0	

Table.no.5 Statistical data of % investment of annual income

Where would you like to invest the money				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fixed Deposit	91	45.5	45.5	45.5
	Sovereign bonds (like Gold, Silver etc.)	30	15.0	15.0	60.5
	Real Estate	34	17.0	17.0	77.5
	Mutual Funds/ stock market	22	11.0	11.0	88.5
	Others	23	11.5	11.5	100.0
	Total	200	100.0	100.0	

Table.no.6 Statistical data of type of investment

What is the time period of your investment				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	39	19.5	19.5	19.5
	1-5 years	115	57.5	57.5	77.0
	5-10 years	31	15.5	15.5	92.5
	10+ years	15	7.5	7.5	100.0
	Total	200	100.0	100.0	

Table.no.7 Statistical data of period of investment

Why do you want to invest money				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	For Tax saving	49	24.5	24.5	24.5
	For retirement	44	22.0	22.0	46.5
	For children education	68	34.0	34.0	80.5
	For better returns	19	9.5	9.5	90.0
	Others	20	10.0	10.0	100.0
	Total	200	100.0	100.0	

Table.no.8 Statistical data of reason to invest

Would you like to go for the best possible returns ever if there were risk involved				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	49	24.5	24.5	24.5
	Usually	44	22.0	22.0	46.5
	Sometimes	67	33.5	33.5	80.0
	Rarely	19	9.5	9.5	89.5
	Never	21	10.5	10.5	100.0
	Total	200	100.0	100.0	

Table.no.9 Statistical data of risk in investment

How would you describe your typical attitude when making important financial decision				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Adventurous	41	20.5	20.5	20.5
	Fairly Adventurous	56	28.0	28.0	48.5
	Average	55	27.5	27.5	76.0
	Fairly cautious	24	12.0	12.0	88.0
	Very Cautious	24	12.0	12.0	100.0
	Total	200	100.0	100.0	

Table.no.10 Statistical data of attitude towards investment

Do you know how to invest in stock market/ trading				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	99	49.5	49.5	49.5
	No	101	50.5	50.5	100.0
	Total	200	100.0	100.0	

Table.no.11 Statistical data of knowledge in stock market investment

Do you know how to invest in mutual funds				
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	113	56.5	56.5	56.5
	No	87	43.5	43.5	100.0
	Total	200	100.0	100.0	

Table.no.12 Statistical data of knowledge in mutual fund investment

Findings from Analytical study of survey:

- Table no.6 shows the respondent choice of alternative for the investment. It reveals the knowledge level of the respondents relating to investment planning. Few percent of the respondents have very basic knowledge.
- Table no. 7 shows the time period of investment, House Purchase as a major expenditure was the most common answer which influenced their long term investment planning. It shows that when the period of investment is longer the returns are comparatively better than shorter period of investment, in case of close end schemes. 72% of the respondent replied for the long term investment

because long term investment gives better returns and future safety.

- Respondent/ investors face constraints such as major expenditure, tax saving, children education and liquidity requirement in deciding their long term investments. Figure and table no.8 shows 60% of the respondents face major expenditure as constraint in planning for investments. It shows the purpose of investment of the respondent. This purpose of investment is related to the different age group thinking related to investment.
- Table no.9 shows risk involvement factor of investors for better returns 34% people were interested to take risk. Table no.10 shows the attitude of the respondent. It shows the 50% of the respondent have a fairly adventurous attitude for investment in general.
- Table no. 11 shows an equal response for stock market and trading. 49% of the respondents are not actively operating investment of stock marketing. More than half of the respondents have met financial difficulties while operating in the stock market
- The respondent gave equal response for mutual fund, so this shows almost half of the respondents are still not aware of mutual fund, which also means they do not invest in mutual fund.

Case Study:

Mr. X on 7th February 2014 bought Maruti Suzuki Wagon R worth Rs 4,75,000/- with his hard earned money. Now it is 4 years old. The value of the vehicle if Mr. X wants to sell will be XXXX after calculating the depreciation. At the same time the share price of Maruti Suzuki limited was Rs. 1665/- per share. If Mr. X would have bought Maruti Suzuki ltd share with his cash of Rs.4,75,000/- he would have got 289 shares. The current price of Maruti Suzuki share is Rs. 9000/- per share. The amount for 289 shares would have been Rs. 26,01,000/- . If he would have invested this amount in shares today he would have been able to buy Mercedez Benz or a 1BHK flat. The above case study shows the alternatives an investment can have and also choosing wisely how, where and when to invest [7].

Fig.no.1 Maruti Suzuki India Limited Share Price [8]

Suggestions:

- Investors should be fully aware of the different concepts of the stock market. There are many important concepts where you need to know it very well in order to become succession the market. So unless you have a good idea, about the stock market report you would not be able to make a good profit by investing in shares and stock.
- Mutual fund companies should launch new and innovative schemes according to the varied needs of investors.

Limitations

Though the parent research paper is aimed at achieving the above mentioned objectives in full earnest and accuracy, there are certain limitations.

- The data have been taken from primary sources, so the findings are true to the extent of authenticity of the data.
- The study was conducted by targeting the investors of Aurangabad city.
- The primary data has been collected through a structured questionnaire to a sample of 200 respondents of selected city.

Recommended portfolios for conservative investors (1 October, 2017)		
SIP amount	Scheme name	Percentage
2k-5k	SBI Bluechip	50%
	HDFC Balanced Fund	50%
>5k-10k	SBI Bluechip	30%
	Aditya Birla Sun Life Top 100	20%
	HDFC Balanced Fund	50%
>10k	SBI Bluechip	25%
	Aditya Birla Sun Life Top 100	15%
	ICICI Prudential Value Discovery Fund	10%
	HDFC Balanced Fund	50%

Fig.no.2 Recommended portfolios for conservative investors [9]

Recommended portfolios for moderate investors (1 October, 2017)		
SIP amount	Scheme name	Percentage
2,000-5,000	Aditya Birla Sun Life Top 100	65%
	HDFC Balanced Fund	35%
5,000-10,000	Aditya Birla Sun Life Top 100	40%
	ICICI Prudential Value Discovery Fund	25%
	HDFC Balanced Fund	35%
Above 10,000	SBI Bluechip	30%
	Aditya Birla Sun Life Top 100	15%
	ICICI Prudential Value Discovery Fund	20%
	HDFC Balanced Fund	35%

Fig.no.3 Recommended portfolios for moderate investors

Recommended portfolios for aggressive investors (1 October, 2017)		
SIP amount	**Scheme name**	**Percentage**
2,000-5,000	ICICI Prudential Value Discovery Fund	50%
	Aditya Birla Sun Life Top 100	50%
5,000-10,000	ICICI Prudential Value Discovery Fund	30%
	Aditya Birla Sun Life Top 100	20%
	HDFC Balanced Fund	15%
	Mirae Asset Emerging Bluechip Fund	35%
Above 10,000	Aditya Birla Sun Life Top 100	35%
	ICICI Prudential Value Discovery Fund	10%
	Mirae Asset Emerging Bluechip Fund	30%
	HDFC Balanced Fund	10%
	L&T India Value Fund	15%

Fig.no.4 Recommended portfolios for aggressive investors

Sr.	Stocks	Sectors	2007	2017	% Returns
1	Lupin Ltd	PHARMA	117.00	1,512.00	1,292.31
2	Aurobindo Pharma	PHARMA	72.00	700.00	972.22
	Average Return of Pharma Sector for Last 10 years is 1132%				
3	Asian Paints Ltd	CONSUMER GOODS	74.00	930.00	1,256.76
4	I T C Ltd	CONSUMER GOODS	55.00	247.00	449.09
	Average Return of Consumer Goods Sector for Last 10 years is 853%				
5	Tata Consultancy Services Ltd	IT	626.00	2,300.00	376.98
6	HCL Technologies Ltd	IT	152.00	857.00	563.82
	Average Return of Information Technologies Sector for Last 10 years is 471%				
7	Bosch Ltd	AUTOMOBILE	3,500.00	21,450.00	612.86
8	Amara Raja Batteries	AUTOMOBILE	27.00	930.00	3444.44
	Average Return of Automobile Sector for Last 10 years is 2029%				
9	HDFC Bank Ltd	FINANCIAL SERVICES	211.00	1,195.00	566.35
10	State Bank of India	FINANCIAL SERVICES	117.00	245.00	209.40
	Average Return of Financial Services Sector for 10 years is 388%				

Fig.no.5 Best stock for the past 10 years [10]

Sectors	Allocation	Year – 2018 Amount Invested	Percent Returns Expected	Year – 2028 Return Amount
PHARMA	40%	4,00,000.00	1132%	45,29,064.00
CONSUMER GOODS	20%	2,00,000.00	853%	17,06,000.00
INFORMATION TECHNOLOGIES	15%	1,50,000.00	471%	7,06,500.00
AUTOMOBILE	15%	1,50,000.00	2029%	30,42,978.00
FINANCIAL SERVICES	10%	1,00,000.00	388%	3,88,000.00

Fig.no.6 Best sectors for future [10]

- Many online sites provide good insight in mutual funds and their comparison with competitors.
- After one year of investment the capital gains were non-taxable (with effect from current budget LTCG > Rs.1,00,000/- is taxable @10%) which generally people are unaware of, if at any point of time investor wish to withdraw his investment it is very easy to do so.

II. SUMMARY/ CONCLUSIONS

The purpose objectives and constraints of this study were to assess the investment planning awareness. Sometimes investors can achieve their goal by using traditional alternative investment plan for long term period for specific reason. Investors are generally not able to achieve their investment objectives. It is hereby concluded that the primary reasons for investors" not achieving their financial goal are

i.   shallow investment knowledge,
ii. avoiding professional help of financial advisors,
iii. infrequent review and rebalancing of portfolio,

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