A Study on Investment Pattern of People in Guwahati City, Assam

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Abstract

Investment refers to the employment of funds with the expectation of earning income or growth in values. The essential feature of an investment involves waiting for a reward. Thus, investment involves commitment of resources which have been saved in the expectation that some benefits will accrue in future. Investment patterns refer to the way people allocate their money among different asset classes or securities. Investment patterns of people widely depending on various factors such as their income level, age, risk tolerance, financial goals, and investment knowledge. The present study was aim at to anlayse different factors influencing investment pattern as well as to identify the preferred investment instruments of people. The study was conducted in Guwahati city, Assam. The sample size of the study was 200 people who were included in the sample by convenience sampling. It has been found in the study that investment pattern depends upon the factors such as return from investment, risk involve in investment, period of investment, liquidity and tax benefit. It has been also found that the highly preferred investment instrument is fixed deposits, followed by life insurance policies, provident fund, real estate respectively.

Key Word: Investment, investment pattern, asset classes, investment technique, convenience sampling

1. Introduction

Investment patterns refer to the way people allocate their money among different investment avenues such as bank deposits, insurance, provident fund, mutual funds real estate, stocks, bonds, commodities and derivatives, and other financial assets. The goal of any investment pattern is to maximize returns while minimizing risks. Different people have different investment goals, preferences and risk tolerances. So, the exact investment pattern will differ from individual to individual. Investment patterns usually involve a mix of different asset classes. Diversification is key to reduce risk and making portfolio is balanced and that the investor is not overexposed to any single asset class. Depending on the investment goals, an investor may opt for a more aggressive portfolio with higher potential returns, or a more conservative portfolio with lower potential returns but less risk. When constructing an investment pattern, investors should consider factors such as their age, financial goals, risk tolerance, and the time horizon for their investments. Investors should also consider their financial situation, such as their income, assets, and liabilities. It is important to keep in mind that investment patterns should be periodically reviewed and adjusted to reflect changing market conditions and the investor's changing needs. The study of investment patterns is important to understand the factors influencing investment pattern.

Some of the key factors influencing investment pattern of people are discussed below:

1. **Risk tolerance:** Risk tolerance is a key factor that influences investment pattern. Investors with high risk tolerance tend to invest in high-risk assets such as stocks and derivatives, while investors with low risk tolerance prefer low-risk assets such as bonds and cash.

2. **Investment goals:** The investment goals of investors also play a significant role in influencing their investment pattern. Investors who are looking for long-term growth may invest in equities and real estate, while investors who are looking for income may prefer fixed income securities such as bonds and dividend-paying stocks.

3. **Market conditions:** Market conditions such as interest rates, inflation, and economic growth can also affect investment pattern. It has been seen that investors may prefer to invest in real estate during the period of high inflation and commodities as a hedge against inflation, while during periods of low interest rates, investors may prefer equities and high-yield bonds.

4. **Demographic factors:** Demographic variables such as age, income, and education level are other factors that have been found to influence investment pattern. Younger investors tend to have a higher risk tolerance and invest in equities, while older investors tend to have a lower risk tolerance and prefer fixed income securities. Higher income and education level also tend to be associated with more diversified investment portfolios.

5. **Behavioral biases:** Behavioral biases such as overconfidence, loss aversion, and herding behavior can also affect investment pattern. It has been seen that overconfident investors may invest heavily in a single asset class, while investors who are loss averse may avoid high-risk assets even if they have a high expected return.

Overall, investment pattern is a complex phenomenon that is influenced by a wide range of factors. Understanding these factors can help investors make more informed investment decisions and build more diversified portfolios.

2. Literature Review

Lim et al. (2012) found in their study that investors with high risk tolerance tend to invest more in equities and less in fixed income securities.

Hasan and Ansari (2016) highlighted that investors who invest for income tend to allocate more of their funds to bonds and dividend-paying stocks, while investors who invest for capital gains tend to allocate more of their funds to equities and growth-oriented mutual funds.

Arshad et al. (2017) pointed out that risk tolerance has a positive impact on the commitment of funds to risky assets such as stocks and mutual funds.

Yousaf et al. (2018) found that market volatility has a significant impact on the allocation of funds to different asset classes. During times of high market volatility, investors tend to allocate more of their funds to cash and fixed income securities.

Pandey et al. (2020) analyed that during periods of low interest rates, investors tend to invest more in equities and high-yield bonds.

Sharma and Arora (2017) found that younger investors tend to allocate more of their funds to equities and mutual funds, while older investors tend to allocate more of their funds to fixed income securities and cash. Moreover, higher income and education levels have been associated with more diversified investment portfolios.

Tariq et al. (2020) highlighted that overconfidence leads to a higher allocation of funds to single asset classes, while loss aversion leads to a lower allocation of funds to risky assets.

3. Objectives of the study

i. To study the sources of advice for investment decisions.
ii. To study the factors influencing investment pattern of people.

iii. To identify the preferred investment instruments of the people

4. Research Methodology

Data Collection Source: This study used both primary and secondary data. The primary data for the study was collected through well structured questionnaire. The sources of secondary data were books, research papers, articles and relevant blogs available.

Population of the study: People of Guwahati city belonging to the age group of 18 and above years constituted the population of the study

Sample Size: 200 people of Guwahati city belonging to the age group of 18 and above years

Sampling Technique: Convenience sampling was used

Tools and Techniques used for Data Analysis: After collecting data, data were presented in tabular format for depicting meaningful information. Further data were analyzed by finding out percentage and mean score. Moreover data were represented by charts also.
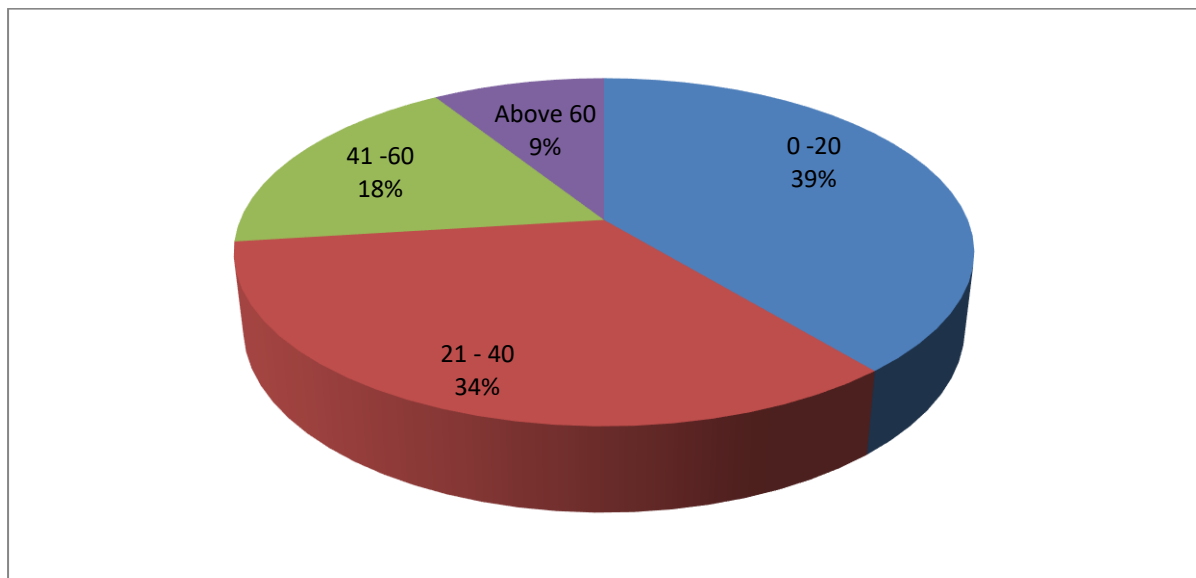
5. Data Analysis and Interpretation

Table 1: Percentage of income invested by the respondents

Percentage of income invested	Frequency	Percent
0 -20	78	39
21 - 40	68	34
41 -60	36	18
Above 60	18	9
Total	200	100

Source: Field Survey

Figure 1: Percentage of income invested by the respondents

Interpretation: The above table reveals that the 39% of the respondents used to invest (0 -20)% of their income followed by 34% used to invest (20-40)% of their income. On the other hand, 18% of the respondents used to invest (40-60)% of their income. Only 9% of the respondents used to invest more than 60% of their income.
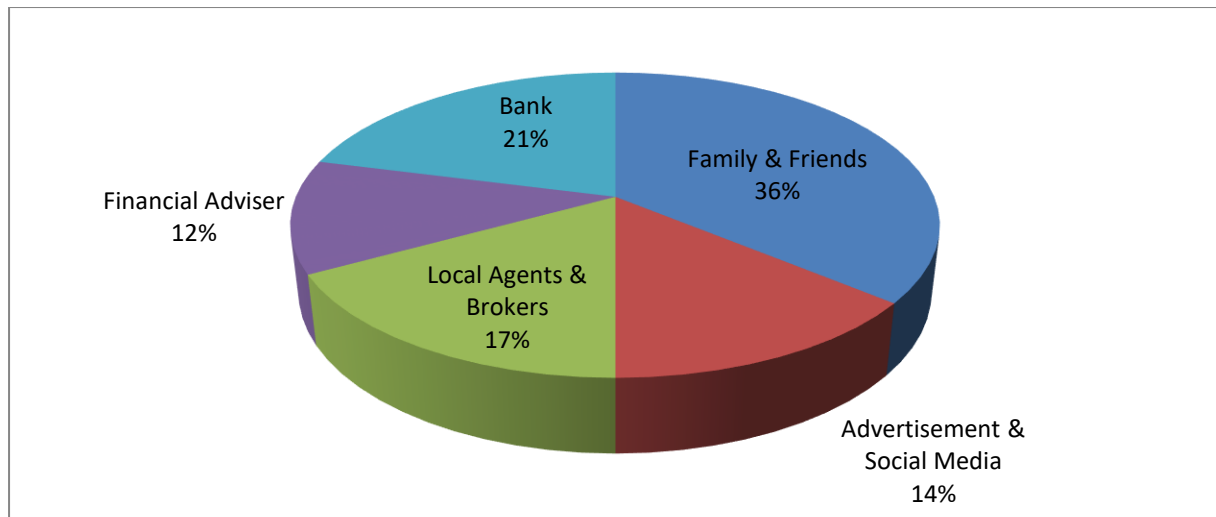
Table 2: Sources of advice for investment decisions

Sources of Advice	Frequency	Percent
Family & Friends	72	36
Advertisement & Social Media	28	14

Local Agents & Brokers	34	17
Financial Adviser	24	12
Bank	42	21
Total	200	100

Source: Field Survey

Figure 2: Sources of advice for investment decisions

Interpretation: The above Table shows that 36% of the respondents seek advice related to investment decisions from family & friends. 21% and 17% of the respondents seek advice from bank and local agents & brokers for their investment decision. On the other hand, 14% of the respondents get information about different investments avenues from advertisement and social media. Only 12% of the respondents seek advice from financial adviser for their investment decisions.

Table 3: Factors influencing investment pattern

Sl. No.	Factor	Mean Score	Rank	Rank
1	Risk	4.4	2	2
2	Return	4.7	1	1
3	Investment period	4.2	3	3
4	Liquidity	3.9	4	4
5	Tax Benefit	3.2	5	5

Source: Field Survey

Interpretation: The above Table depicts the rank of the different factors influencing investment pattern of people. It is observed in the above Table that people considers return from investment as the first factor followed by risk involve in investment as the second factor that influence investment pattern of people. Thereafter, Investment period as the third factor followed by liquidity of the investment as fourth factor. Tax benefit from investment was considered as the last factor that influence investment pattern of people.

Table 4: Preferred Investment Instruments

Sl. No.	Investment Instrument	Frequency	Percent	Rank
1	Fixed Deposit	47	23.5	1
2	Gold/Jewellery	25	12.5	3
3	Mutual Funds	21	10.5	6
4	Life Insurance Policies	28	14	2
5	Real Estate	22	11	5
6	Stocks	13	6.5	7
7	Provident Fund	23	11.5	4
8	Bonds	6	3	9
9	Post Office savings	11	5.5	8
10	Commodities & Derivatives	3	1.5	10
11	Other	1	0.5	11
Total		200	100	

Source: Field Survey

Interpretation: The above table shows that the highly preferred investment instruments of people was Fixed Deposits as rank 1, Life Insurance Policies as second. Gold/Jewellery as third, Provident Fund as fourth, Real Estate as fifth, Mutual Funds as sixth, stocks as seventh, Post Office savings as eight, Bond as ninth, Commodities and Derivatives as tenth and other as eleventh respectively.

Table 4.1: Preferred investment instruments of men

Sl. No.	Investment Instrument	Percent	Rank
1	Fixed Deposit1/1	23	1
2	Life Insurance2/3	15	2
3	Provident Fund3/6	14	3
4	Mutual Funds4/5	11	4
5	Real Estate5/4	10	5
6	Gold/Jewellery6/2	9	6
7	Shares7/8	8	7
8	Bonds8/9	4	8
9	Post Office savings9/7	3	9
10	Commodities & Derivatives10	2	10
11	Other 11	1	11
Total		100	

Source: Field Survey

Interpretation: Table 4.1 reveals that the highly preferred investment instrument among men was Fixed Deposits as rank 1, Life Insurance Policies as second, Provident Fund as third, Mutual Funds as fourth, Real Estate as fifth, Gold/Jewellery as sixth, Stocks as seventh, Bonds as eight, Post Office Savings as ninth, commodities & Derivatives as tenth and other as eleventh respectively.

Table 4.2: Preferred investment instruments of women

Sl. No.	Investment Instrument	Percent	Rank
1	Fixed Deposit1	24	1
2	Gold/Jewellery	16	2
3	Life Insurance	13	3
4	Real Estate	12	4
5	Mutual Funds	10	5
6	Provident Fund	9	6
7	Post Office savings	8	7
8	Shares	5	8
9	Bonds	2	9
10	Commodities & Derivative	1	10
11	other	0	11
Total		100	

Source: Field Survey

Interpretation: Table 4.2 reveals that the highly preferred investment instrument among women was Fixed Deposits as rank 1, Gold/Jewellery as second, Life Insurance Policies as third, Real Estate as fourth, Mutual Funds as fifth, Provident Fund as sixth, Post Office savings as seventh, Stocks as eight, Bonds as ninth and Commodities & Derivatives as tenth as respectively.

6. Findings of the study

Major findings of the study are as follows:

- Most of the respondents (i.e. 39%) used to invest (0-20)% of their income. Only 9% of the respondents used to invest more than 60% of their income.
- Most of the respondents (i.e. 36%) seek advice related to investment decisions from family & friends.
- The most important factor influencing investment pattern of people is return from investment. Thereafter, risk involve in investment is considered as the factor influencing investment pattern of people.
- The highly preferred investment instrument among the respondents was fixed deposits irrespective of gender. Thereafter, life insurance policies, gold/jewellery, provident fund, real estate and mutual funds were considered highly preferred investment instruments respectively. The moderately preferred investment instruments were stocks, Post Office Savings and Bonds. The least preferred investment instruments was Commodities & Derivatives
- The second and third most highly preferred investment instruments among men were life insurance policies and mutual funds respectively.
- The second and third most highly preferred investment instruments among women were gold/jewellery and life insurance policies respectively.

7. Suggestions

- It has been seen from the study that most of the respondents used (0-20)% of their income for investment purpose. For generating regular income as well as for appreciation of capital one need to invest more percentage of their income.
- It has been seen from the study that most of the people do not consider tax benefits as a deciding factor for investment pattern. This factor also has to be considered while taking investment decision so that they achieve their investment objective with an added benefit.
- People find fixed deposits, life insurance, policies gold/jewellery, provident fund and real estate as the preferred investment instruments. However, for earning higher returns, one needs to invest in stocks, bonds, commodities & derivatives. People can also consider these investment options while designing their portfolios.

8. Conclusion

Investment patterns of people widely depending on various factors such as their income level, age, risk tolerance, financial goals, and investment knowledge. Some people may prefer to invest in low-risk assets such as bonds, while others may be more comfortable investing in high-risk assets such as stocks or crypto currencies. Some investors may prefer to invest in long-term assets, while others may prefer short-term investments.

Moreover, technological advancement has made investment opportunities more accessible and easier to access for people.

In conclusion, investment patterns of people are diverse and depend on various factors. It is essential to have a clear understanding of individual's investment goals, risk tolerance, and investment knowledge before making any investment decisions.

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