International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 05 Issue: 08 | Aug - 2021 ISSN: 2582-3930

INVESTMENT PATTERN OF YOUTH IN INDIA

1.**Manisha Tyagi** 2. **Krishna Chanchal** 3. **Dr Rajkumar S**

1.Research Scholar, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research centre, University of Mysore.

2.Research Scholar, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research centre, University of Mysore.

3.Research Supervisor, Associate Professor, Xavier Institute of Management and Entrepreneurship, Bengaluru, Recognized Research centre, University of Mysore.

INTRODUCTION

In recent days, we have seen that investment has become the backbone of a nation's countries that are attempting to grow their economics, it is therefore necessary for the public to invest appropriately in investments and liberate borders for other countries for their investments. Fundamentally Investment is not only about investing current money for return, but it also implies that return and risk is on both sides of investment. And this varies according to the preferences of how the respondent views their savings today, for tomorrow.

The productive capacity of a nation is dependent upon sound capital formation. A robust savings rate and sound mobilisation of capital are the main macroeconomic variables that play an important role in economic growth. A country's propensity to save and invest is also a key factor in the dynamic stability of the capital market. Per capita income in India has been on an upward trend for the past decade. With the growth of PCI, savings and investment in the country also showed a positive movement.

1.1 Investment:

The investment is a “saving” that can be used by another party for a productive activity, in the form of an advance, loan or contribution to the owner. Generalized, investment is the conversion of cash or money into a monetary asset or a receivable from future funds for a return. This return is for saving, particularly financial saving, parting with liquidity and lastly for taking a risk Investment Pattern of Youth in India.

1.1.1 Elements of Investments:

A. Return: Return on investment (ROI) is an exhibition measure used to assess the proficiency or productivity of an investment. The return includes both current income and capital gain.

B. Risk: Risk is the chance of loss due to variability of returns on an investment. All investments involve some degree of risk.

C. Time: Time is the most critical aspect of investing. Time period depends on the attitude of investors who follow a 'buy' and 'hold' policy.

ABSTRACT

Investment in India has become more of a necessity than a business lifestyle. Several studies have been conducted to find out the investment pattern of youth. However, not much research has been done on investment patterns among the young age group of the working population. The purpose of this paper is to investigate the investment pattern of youth in current times. The major objective of the study is to understand saving patterns, risk taking capacity of youngsters and to find out whether they are looking for long term growth or high returns or liquidity. The study shows that the youngsters are aware of all kinds of investment options – Traditional, Low risk, Moderate risk, High risk investment. As the rates all were dropping, people are switching to other avenues which fetch better results. In olden days, one invests only in a few companies, but the present day has given people to try a wide range of companies. The study also shows the interest of youngsters in IPO but they lack knowledge but IPO can be a good guide for a common man to invest in share market. There won't be any risk in investment by analysing the market and history of companies. From the survey, we found out that youngsters still prefer to invest more in bank deposits and then in mutual funds so we can say that mutual funds definitely have gained popularity among youngsters, following with equity shares. Most Youngsters have invested 0-20% of their income, and following with 20-40%, less income may be one of the reasons behind it. Youngsters do know about the various investment options available to them due to rapid spread of information via various channels.

OBJECTIVES OF STUDY

1. To comprehend the pay and saving pattern of youth.

2. To know their drawn-out monetary objectives.

3. To discover hazard craving of young people.

4. To find out whether young investors are looking for long-term growth, risk, return on investment or liquidity.

5. To study the preferences of different age groups of youth towards financial investment.

RESEARCH GAP

Previous research has been done on some specific cities, like Nagaland, Mumbai etc. To find the behaviour of investment patterns in youth of India, we have taken samples from all parts of the country.

RESEARCH OBJECTIVES

1. To study the behaviour of investment in the youth of India.
2. Expectations of the people investing in the market from investment.
3. To find the most preferred sector which people are investing in and likely to invest in the near future.

METHODOLOGY

Essential information assortment included an organized survey (Annexure-I) with restricted and centred inquiries covering questions in regards to the saving/speculation conduct among understudies. The survey tended to look at regions like how a lot (around) of the pay is saved, regardless of whether it is placed into customary methods of investment funds or into the capital business sectors and likewise questions with respect to what amount do social components like loved ones impact their decisions. Around 80% of the reached base (125 respondents) shared data adequate for incorporation into the examination test. The attention was on understudies working or having a procuring source and learning simultaneously.

Methods Of Analysis

The data created during information assortment was both subjective and quantitative. The subjective information was coded and tables were created for investigation. The quantitative information on the other hand was arranged after arrangements of individual reactions were gathered.

Literature Review

- **"INVESTMENT PATTERN OF YOUTH IN INDIA WITH PARTICULAR REFERENCE TO MUMBAI," By- "Ms. Sudarshana Saikia et al, 2018"**, College of Commerce and Economics Simple financial literacy among young people, how they educate themselves and how they look at risk, returns, and different investment modes, and what determines the same thing. The results have been that incomes have risen in the graph, so they need profitable opportunities to bring their money in for days to come, but because of a lack of realistic comprehension, they are puzzled.

- **"The study on Investment behaviour of Indian Investors: Gender Biasness, By- Ms. Priya Kansal February, 2013"** find out that women's roles are shifting and that they have a large social profile. The study also indicates that women's decisions are not different from men's choices. There are several reports that confirm the role of gender inequality in investment trends. Most research suggests that women spend more conservatively than men (Yao, R. & Hanna, S.D., Yao, R. & Hanna, S.D.

- **"FINANCIAL LITERACY, PERCEIVED RISK ATTITUDES AND INVESTMENT INTENTIONS AMONG YOUTH IN JAMMU AND KASHMIR", By- "AABIDA AKHTER, 2016"**
The results show that on average the youth show a high score on risk propensity than cautiousness whereas discussed in previous chapters risk propensity measure the extent to which the respondents view risks positively and are in favour of taking more risks for better returns. The findings show that on average, the youth have more liking for adventurous decisions. Also, they believe in analysing the relevant information carefully about the behaviour under consideration.

- **"Prudent Financial Behaviour among Youth: The Role of Financial Attitude", By- "Mohd Zamri Abu Bakar, Saridan Abu Bakar,2020"**
The article talks about financial problems involving the younger generation who have been declared bankrupt is significant proof that the current young generation having difficulties in managing their personal finance effectively. It has been found out possessing positive FA is best to equip youth with sufficient knowledge, information and life skills to assist them to make right financial judgment, to improve their financial behaviour.

- **"Socio-Demographic Determinants of Financial Behaviour of Individual Investors in India" By- "Shalini Gautam and Mitu Matta, 2016"**- Research studies have shown many socio-demographic variables that are correlated with an individual's financial conduct. These are gender, age, education, jobs, marital status, spouse's employment status, annual household income, and the number of individuals financially dependent on a person. The testing of the hypotheses clearly indicates that six socio-demographic variables are substantially correlated.

- **"Determinants of Investment Decision Making: An Empirical Study", By- "Gunjan Sharma et al, 2017"-**
  This study includes the study of determinants of investment decision which are the most dominating factor affecting the investment decision. They found that the most influential factors are under "Firm's Image" with the highest loading, followed up by ethics that a particular firm follows.

- **"A study on Influence of Financial cognition on Personal Financial Planning of Indian Households", "Mahapatra Mousumi and De, Anupam,2018"**
  To study the implications of financial recognition towards financial behaviour of the investors. The effect of these three components, i.e., financial attitude, risk attitude and financial awareness, is examined in this paper on six components of Indian households' personal financial planning process, i.e., cash flow management, investment planning, insurance planning, tax planning, retirement planning and estate planning. The study points to the possibilities of indulgent of individual cognitive components to bring desirable behaviour change in the areas of informed financial decisions, calculated risk taking, formulation of realistic financial goals and postponing instant gratification.

- **"Explaining Households' Investment Behaviour", By- "Dmitry S. MAKAROV Astrid V. SCHORNICK, 2010"**
  This study says that the wealthy population is more likely to invest the stock market. They also found that the wealthier households are willing to invests they're in the riskier assets. Poor individuals show a limited participation and adverse risk which leads them out of participation in the stock market. In recent decades, a trend has been observed that stock participation will increase, market involvement will increase over time, while the equity premium will decrease. Such results can be clarified by models of uncertainty-averse investors, such as the one analysed in this paper. For our explanation to work, however, it is important for investors to be "sufficiently" heterogeneous in terms of their explanation.

- **"A STUDY ON INVESTMENT BEHAVIOR OF MIDDLE-CLASS HOUSEHOLDS IN NAGPUR", By- "DR. APARNA SAMUDRA et al, 2012"-**
  In 2012 this study was on middle class (income between 90,000 to 10,00,000) of Nagpur, as researcher believed that there remains a considerable untapped potential in India's growth and income. Investment instruments are divided into two basic, Physical savings like in real estate & gold and financial savings that are the bank deposits, shares &from which one earns income & wealth is known as mutual funds, insurance & other small saving schemes. The most preferred instrument for investment is found to be bank deposits, followed by life insurance. Age plays a major role in investment decisions; the retired and older generation tend to invest in safe securities

and are not familiar with any new financial instruments. 60% of the sample population said that there is change in the investment behaviour in the last 5 years. The major reason for change in investment pattern is change in income and change in Government policies. More individuals are willing to invest money but the scope of investment is not long term.

- **"Perception of Investors towards the Investment Pattern on Different Investment Avenues", By- "U M Gopal Krishna et al, 2019"**
  The article will help us to understand the perception of customers towards the investment and what influence the decision making. Main features of investment what people see is the principal amount, return, risk, stability, liquidity etc. Few people want stability in their investment, and tend to invest in the bank securities, government bonds, gold etc. But, most of people invest their money in stable platform with low return perspective due to lack of awareness of the share market, mutual funds. The investors who preferred bank deposit for investment because of purchasing home and long-term growth eventually leads to lower returns and higher stability.

- **"Financial Literacy-The Demand Side of Financial Inclusion" By- "Dr. R Ramakrishnan, 2011"-**
  The study on financial literacy and financial inclusion, demands the individuals to have knowledge about the capital and money market. The individuals of India don't have prior knowledge about the securities. With the growing number and sophistication of financial products, expertise is becoming more important. The ability to familiarize and understand financial market products, especially incentives and risks, in order to make informed decisions. This refers to the capacity to make informed decisions and to make successful decisions about the use and management of cash. The financial literacy programmes organised by the Government of India through SEBI, RBI, PFRDA to disseminate information to the poor, students, women, senior citizen, to make informed decisions.

- **"AN EMPIRICAL STUDY ON THE IMPACT OF FINANCIAL KNOWLEDGE ON HOUSEHOLD PORTFOLIO", By- "R. R. Rajamohan, 2005"-**
  A Study in the Coimbatore for finding relationship between the financial knowledge, age and investment pattern. Government wanted the individuals to take decisions of their pension amount and manage their contribution etc to enhance the knowledge. Individuals below 58 years i.e., before retirement are found to take ownership of risky assets in their portfolio which is influenced by the financial knowledge, marginal tax return and age. Individuals with financial knowledge which enhances as being older invest more and in high return, higher risk assets to file for higher tax return as they look the opportunity in investing risky assets.

- **"Analysis of Investment Pattern of Different Class of People", By- "Abhinandan Kulal et al, 2019"-**

The investment of salaried Kula employees, working women, and teachers by "Abhinandan" in 2019. The risk and return for every financial product are different at different time. They are flexible and vulnerable for every investor. Important and useful within the context of present day of an uncertain future. Investments are both the personal investment ends and in contemplation. All investment choices are made in accordance with decision could be a trade-off between risk and return. Timing and grading of investment. An investment numerous decisions regarding type, mix, amount, investment entails arriving at condition. Investors are mostly influenced by the family members. And comparing men and women, women invest less than men. The knowledge about financial product and market directly affects decision or rate of risk and return.

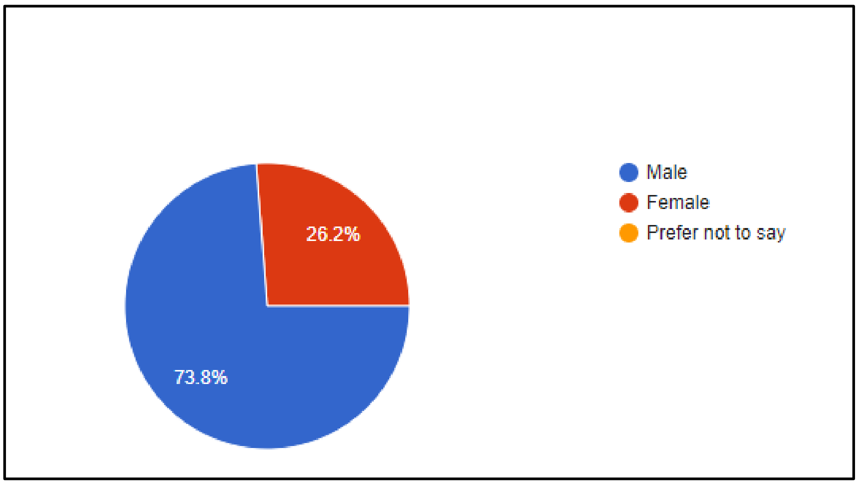
- **"Banking System Resilience and Financial Stability" – "An Evidence from Indian Banking, Vighneswara Swamy",2011-**
  Paper written on Banking system to show the relationship of the assets with banks and the effect of global and financial crisis. With the aid of the Vector Auto Regressive (VAR) model, the value of the interrelationship of bank-specific variables such as liquidity, asset quality, capital adequacy and profitability are calculated. The study identified the interdependence and co-movement of covariates for banking stability to the satisfaction of economic logic. The Indian banking sector has largely defied the global system.

- **"Do the Rich Get Richer in the Stock Market? Evidence from India By- John Y. Campbell, Tarun Ramadorai, and Benjamin Ranish, 2018**", by taking different portfolios some do randomly good and some do randomly poor. Returns on directly owned stocks have been found to produce slower account value growth for small investors than for larger investors, as small Indian investors are poorly diversified. Data was obtained by random sampling of 200,000 accounts and using the cross-sectional variance of the log account size to calculate inequality. Larger accounts tend to generate higher average returns from logs.

- **"Factors affecting Indian Stock Market" By- "Mrunal joshi, 2013"-**
  Research done on the stock market and tried to find out factors like Flow of Foreign Institutional Investors, Inflation, Growth of Gross Domestic Product, Political stability, Liquidity and different interest rate and Global level factors are major factors responsible to create movement in stock market. 56 brokers were interviewed for the study and brokers like angle broking, ICICI securities ltd., HDFC securities ltd., etc. It was found out that in total 60 variables which may affect the stock market. Major 5 factors which affect the stock market are Flow of Foreign Institutional Investor (FII), Political Stability, Inflation, Govt. Policies, GDP Growth.

- **"Gold Prices and Financial Stability in India", By- "Rabi N. Mishra and G. Jagan Mohan, 2012"-**

Gold in an integral part of investment from most of the households. Gold has emerged as the safest investment for the investors with low volatility in relation to the market. In comparison to any mutual fund or equity share gold is carrying high degree of reliability and return. 50% of gold is used as a jewellery purpose in India and private and official holding account to 19% and 17% respectively. The empirical study gives credence to the view that any adjustment in the price of gold will have no detrimental impact on financial stability. In fact, the empirical results of the study support the counterintuitive view that any gold price correction will have a stabilizing effect on the Indian financial system's financial indicators.



RESEARCH ANALYSIS

1. **Gender of respondents-**

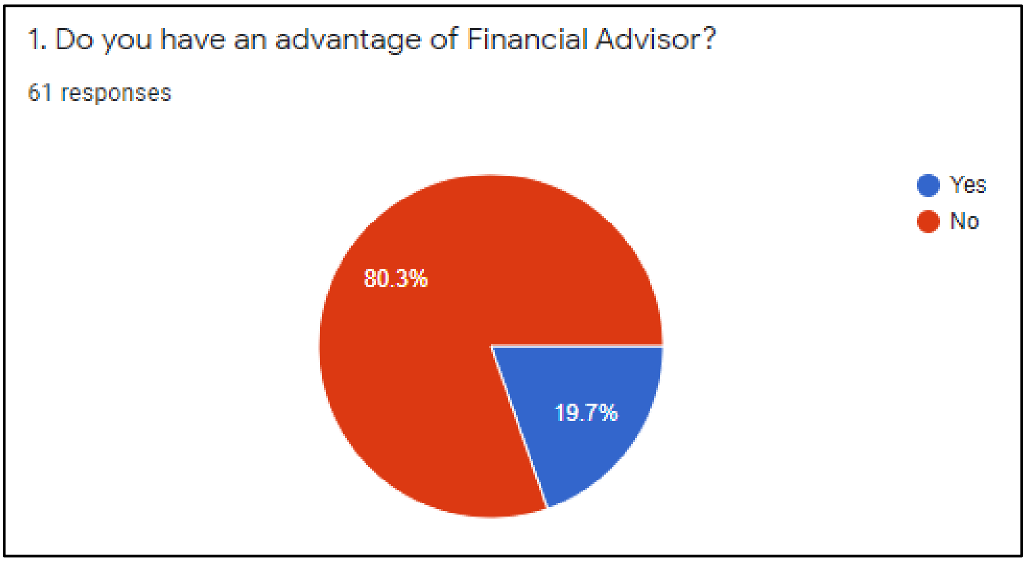
The below data table shows the distribution of youth on the basis of gender as, 73.8% of the respondents are those who are males and 26.2 % of the respondents are those who are females.

2. **Annual income-**

   The below pie chart shows the income distribution of the respondents. The survey data shows that 16.4% respondents are with an income between 3-6 lakh per annum, 24.6% of respondents are with an income above 6-9 lakh per annum. Significantly, 50.8% of the respondents are with an income above 10 lakhs.

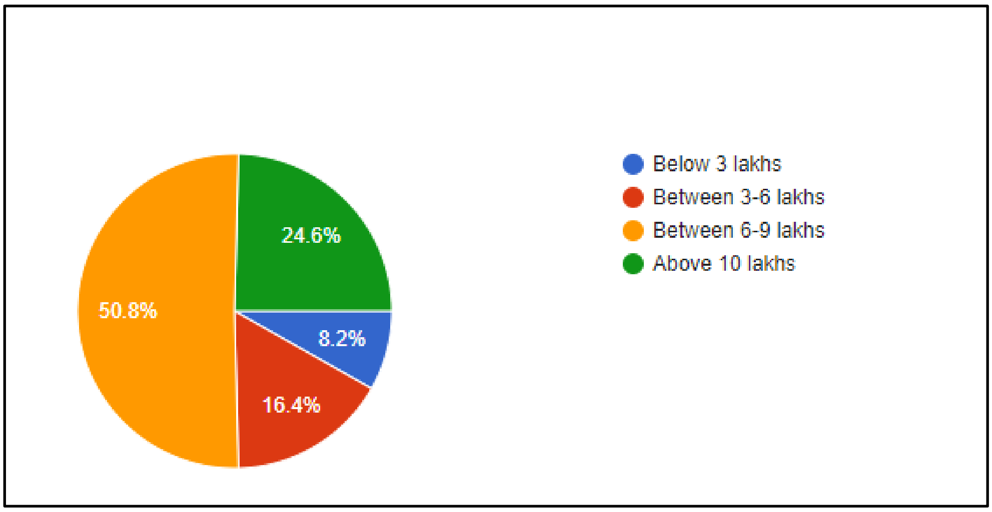
3. **Advantage of Financial Advisor**

   The below pie chart shows whether respondents have an advantage of financial advisors or not. The data shows that 80.3% of respondents don't have an advantage of a financial advisor, which might be because they think they have sound knowledge of investments or they don’t feel the need for it or other reasons.



4. Aware of various investment options available-

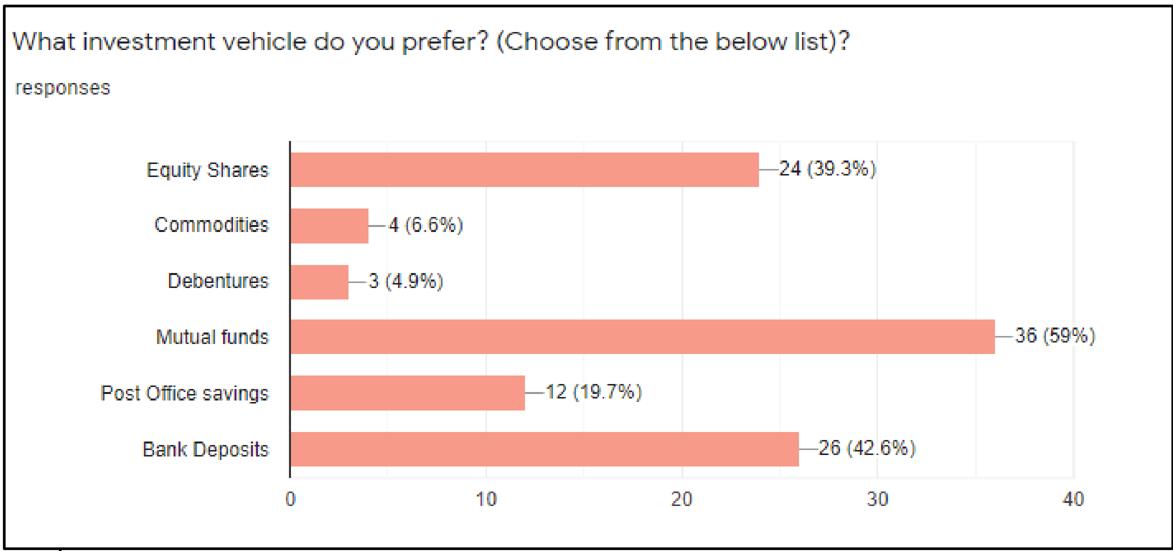
The below data shows the awareness of respondents towards various investment options, as 90.2% of the respondents are aware of safe/low and moderate risk investments and only 72.1% of the respondents are aware of the high-risk investments.

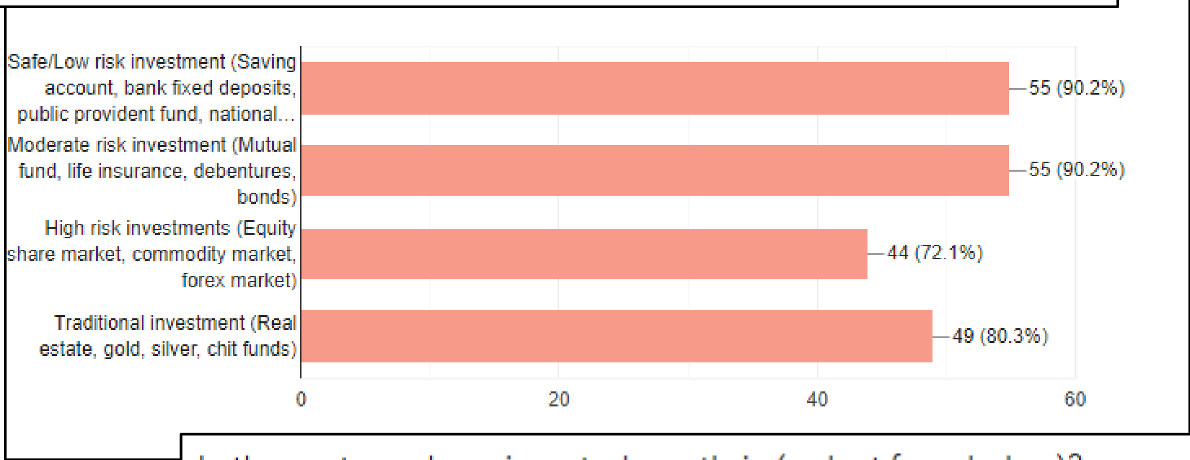


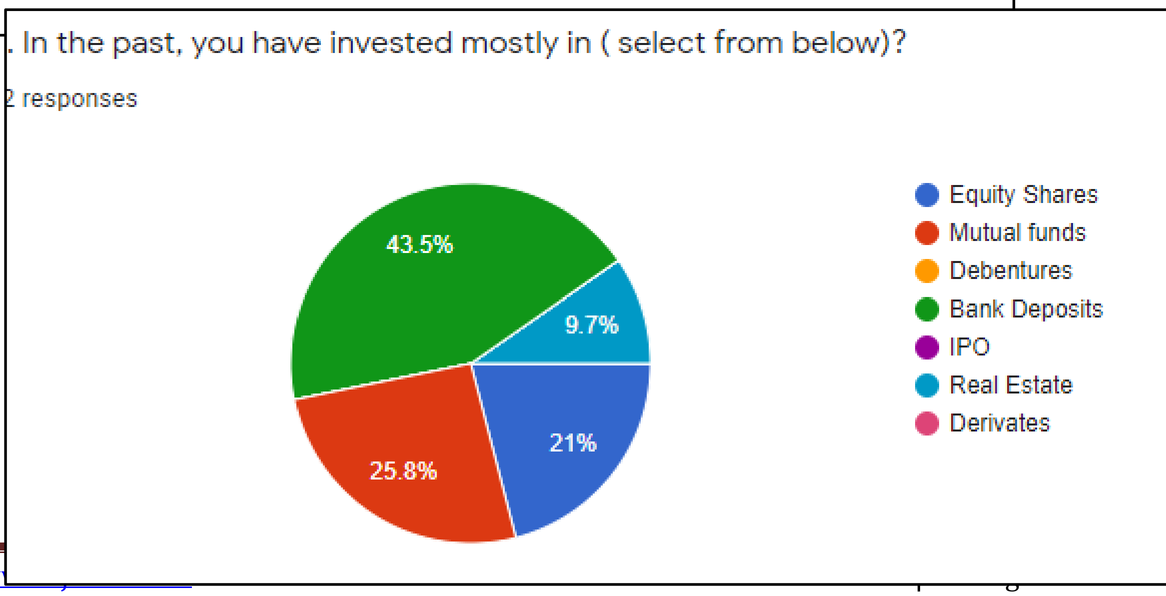
5. Preferred invested vehicle-

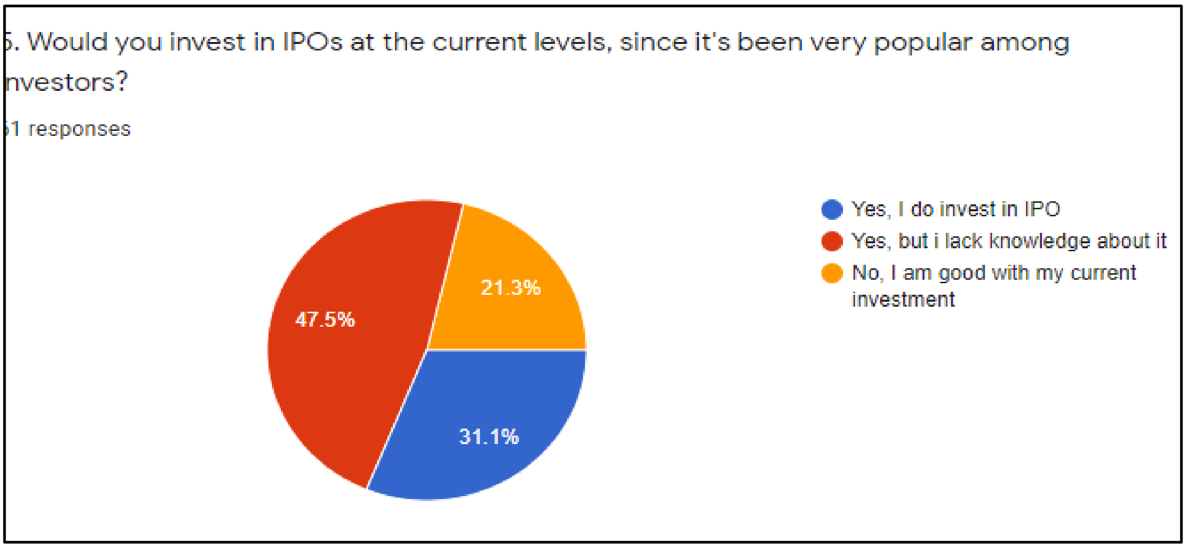
Mutual funds were the most opted investment vehicle followed by Bank deposits and Equity shares. These three accounted for most of the share of the data. Post office savings got a lower share, maybe because such schemes give less returns as compared to others. Commodities and Debentures also got a lower share may be because of less knowledge or awareness about them.

6. **Past investment pattern-**The study reveals the past investments of respondents, majorly 42.6 % invested in bank deposits in the past may be because of safety of investment, followed by mutual funds with 26.2% and equity shares.







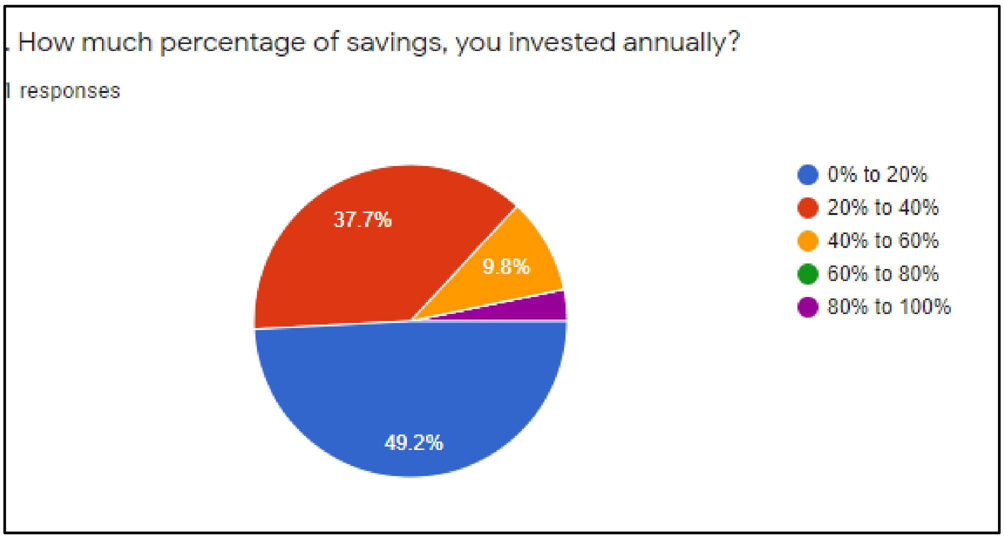


7. Investment in IPO-

The below data shows the preference of respondents towards investing in IPO, 31.1% invest in IPO, 47.5% would invest in but due to lack of knowledge, but if provided proper financial knowledge, they will certainly invest in it as IPO is very popular in India because of good returns and safe investment.

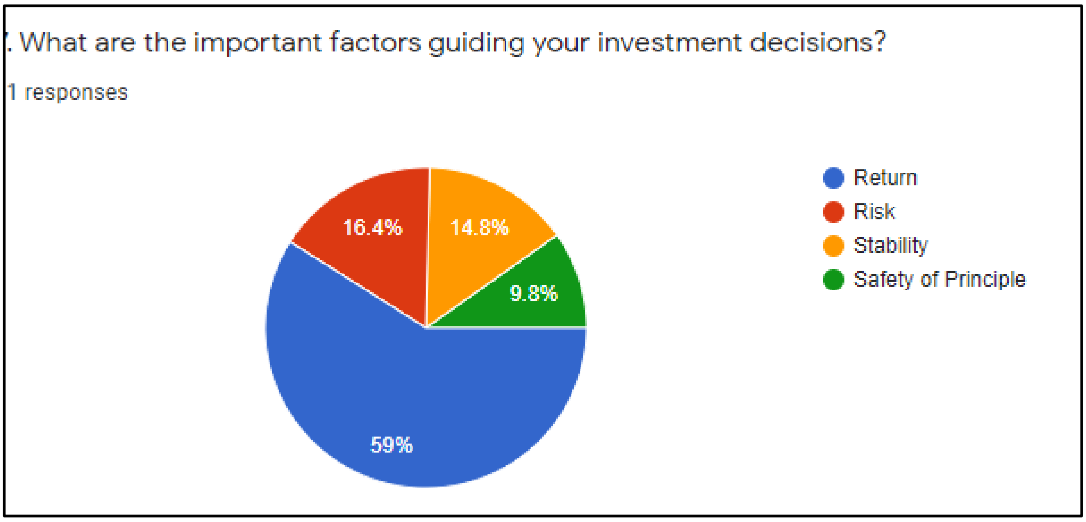
8. Factors Guiding investment decisions-

When asked about the factors guiding their investment decision, 59% of the respondents choose return as the important factor when making decisions related to investments, followed by risk with 16.4% and Stability. This shows that youth are more growth oriented and would invest more in growth investment schemes in future.



9. Saving-Investment pattern of the Respondents-

When asked about how much percentage of savings they generally invest annually, 49.2% of respondents approximately invest around 0-20%, followed by 37.7% of respondents in 20-40%.



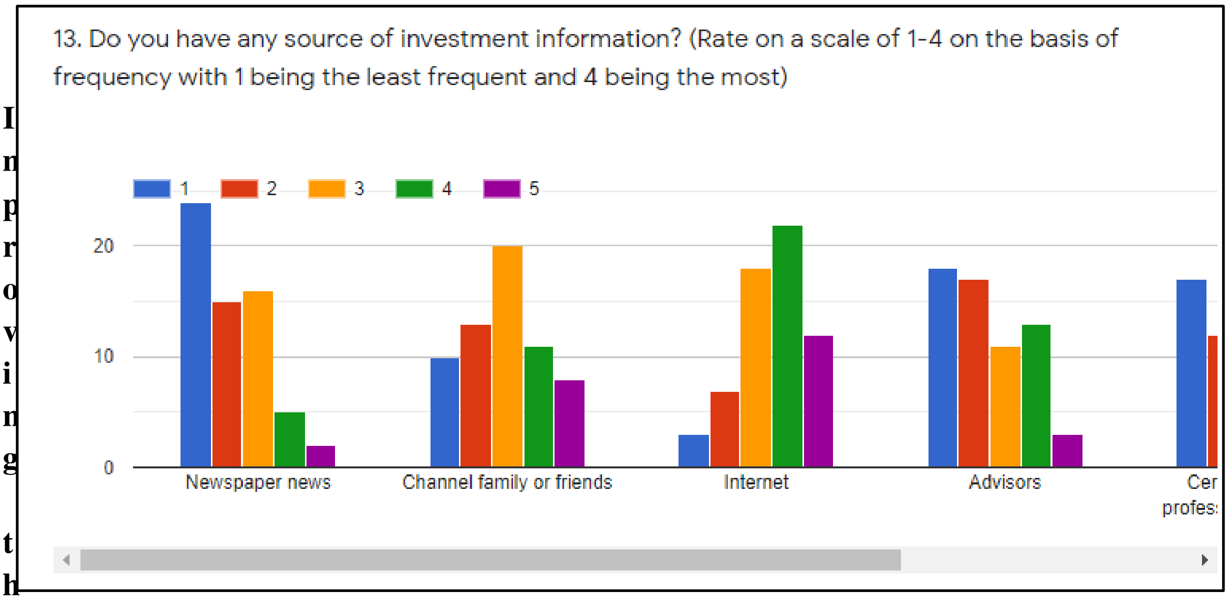
International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 05 Issue: 08 | Aug - 2021 ISSN: 2582-3930

10. Preferred Time- frame-

According to the primary survey, when asked about the time frame they prefer before making investments, is against the notion that youth investors generally opt for short term gains, 39.3% of the respondents opted for longer than a year followed by 6 months to one year with 24.6%.

11. Source of investment advice-

Internet being the most reliable source of investment information as per the respondents, followed by advisors.



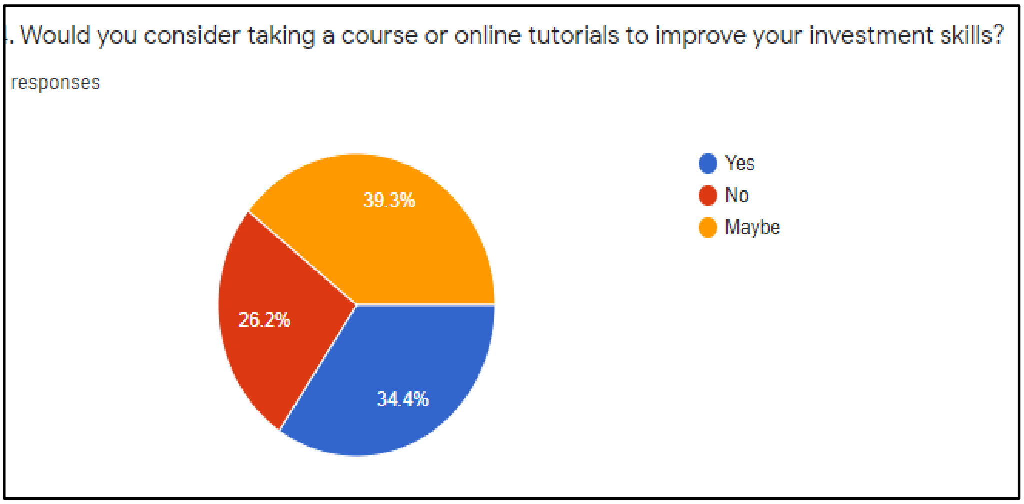
12. Improving the financial knowledge-

When asked about whether they would consider to take any course or online tutorials to improve their financial literacy, 34.4% of the respondents are open to the idea of improving their financial skills to gain more knowledge whereas 39.3% respondents were still in consideration.

CONCLUSION

We have conducted the research, as we can see people investing in securities, rather than the bank deposits. People are willing to know about the various options available for making investments. Previously investors had very less knowledge about the options available for investment.

In this study, from the research performed we have found that most of the people willing to invest in the private companies.



As the risk appetite of household people are not that good, they prefer investments with low risk and medium return.

Resulting more investment in the mutual fund. Mutual fund medium interest and low risk, people don't have to allot their time for this.

They just give out money for investment, because most of the people don’t have Financial Advisors.

Generally, the investment amount lies between 0 to 20% of their income.

Return is the driving factor of the investment, usually people put their money in bank deposits where they get security of principal, risk and return. Whenever they get higher return with a limited amount of investment, they take it.

Previously very few people knew about the investment options, but through this research we have found that most of the people have a fair understanding of high, medium and low risk investment options. Financial literacy has indeed increased and people are getting more knowledgeable and thoughtful of their investments.

Questionnaire on investment pattern of youth in different states (ANNEXURE I)

1. Name-
2. Gender-
3. Designation-
4. Age –

   Below 20 () Between 20-30 () Between 30-40 () Above 40 ()

5. Annual Income-
   Below 3 lakhs () 3-6 Lakh () 6-9 Lakh () Above 10 lakhs ()

6. Do you have an advantage of Financial Advisor- Yes () No ()?

7. Are you aware of the following investment options available-?
   a. Safe/Low risk investment -
   (Saving account, bank fixed deposits, public provident fund, national saving certificates, Post office savings)
   b. Moderate risk investment -
   (Mutual fund, life insurance, debentures, bonds)
   c. High risk investments-
   (Equity share market, commodity market, forex market)
   d. Traditional investment -
   (Real estate, gold, silver, chit funds)

8. What investment vehicle do you prefer?
   a. Equity Shares
   b. Commodities
   c. Debentures
   d. Mutual funds
   e. Post Office savings
   f. Bank Deposits

9. In the past, you have invested mostly in (select from below)?
   a. Equity Shares
   b. Mutual funds
   c debentures
   d.bank deposit
   e. IPO
   f. Real estate
   g. Derivatives

10. Would you invest in IPOs at the current levels, since it's been very popular among investors?
    a. Yes
    b. No
    c. Maybe

11. In which sector do you prefer to invest your money?
    a. Public Sector Companies
    b. Private Sector Companies
    c. Foreign Sector Companies

12. What are the important factors guiding your investment decisions?
    a. Return
    b. Risk
    c. Stability
    d. Safety of Principle

13. What is your specific goal behind investment?
    a. Wealth creation
    b. Tax saving
    c. Earn returns
    d. Future expenses

14. How much percentage of savings, you invest annually?
    a. 0% to 20%
    b. 20% to 40%
    c. 40% to 60%
    d. 60% to 80%
    e. 80% to 100%

14. Which factors do you consider before investing?
    a. Safety of principal
    b. Low risk
    c. High returns
    d. Maturity period

15. How often do you keep a check on your investment?
    a. Daily
    b. Monthly
    c. Occasionally
    d. Never
    e. Often

16. What time frame do you generally prefer for investing?
    a. Intra-day
    b. A few months
    c. 6 months to 1 year