

## A Study on Investment Pattern of MBA Students in Mumbai City

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### **Abstract**

Investments, mean to save for the future. A formation and accumulation of capital for future uncertainties drives the need for Investments. A nation's development depends on a healthy capital formation, at an early stage to utilize the time value of money. Youth, as a backbone of any country, should strive for these Investment opportunities for a better tomorrow.

This study aims to find out the investment pattern of youth in today's economic scenario. It covers the financial literacy and awareness amongst the youth regarding various asset classes. The research is carried out using primary data i.e., questionnaire of 200 respondents. A convenient sampling method is used to obtain these results. The study is limited to the geographical area of Mumbai city.

Until now, limited research has been done to find out how educational background affects Investment Decisions. Students agree that educational background affects their investment decisions. However, the statistical analysis states that only Investment Habit and Investment Frequency affects Investment Decisions. Multiple regression is used to analyze the variables.

### **Keywords**

*Investments, savings, youth, Investment decision, Investment opportunities, Educational Background.*

### **Introduction**

Investment is the process of saving money and engaging that savings to expect earning profits in future. People invest their money to aim and target to get good returns and enough liquidity and safety that could help them in unforeseen future circumstances. Investment can be a wonderful way to generate income and asset. In the present economic scenario, one needs to take better and informed investment decisions to attain financial freedom and financial well-being. Youth as the backbone of the society, have started investing at an early age to achieve higher returns in the future. The investment portfolio of young investors may include investments in mutual funds, fixed deposits, stock market, bonds, etc. Mutual funds industry has emerged has the most preferred investment avenue amongst youth. Several studies have been conducted on the various aspects of the capital markets in the past. These studies mainly relate to various instruments of capital market, shareholding pattern, new issue market and scope, market efficiency, risk and return, performance and regulation of mutual funds. A nation's savings and investment propensities also play a key role in achieving dynamic stability in the capital market. However, not much of research work has been done on investment patterns and decisions affected by educational background of the students.

## 1.1 Objectives

1. To identify the **investment pattern of youth in various asset classes**
2. To determine the **investment duration** preferred by youth
3. To study various factors that affects **investment decisions** of students

## 1.2 Hypothesis

“Investment decision of a student is affected by Educational Factor, Risk Tolerance, Asset Class Preference, Investment Horizon, Habit and Frequency.”

Ho: There is no significant relation between **investment decisions** and the other variables H1: There exist a significant relation between **investment decisions** and the other variables

## 1.3 Research Problem

The problem of the study is to determine whether the youth today prefer **long term or short- term** investment duration.

## 2. Review of Literature

### *2.1 Investment awareness*

The study reveals that the key driven on investment among young generation is significantly based on the independent variables identified i.e., financial literacy, personal interest, and environment (**Azhar, Azilah, & Syafiq, 2017**). Various other research has also figured that woman today have more earning potential & more influence over financial decisions than ever before. Women desires to be financially independent & secure their future with enough funds to meet the future uncertainties ( **Vasagadekar, 2020**). In a study by ( **Bhattacharjee & Singh, 2017**) he concludes that, financial well-being is attributable largely to financial awareness. The level of investment awareness and expectation of returns is based on the investment choices (**Umamaheswari & kumar, 2014**). For designing an effective financial education program, current awareness level as well as investment behavior of individuals towards financial products must be known (**Million & P.V, 2018**) Also, in spite of remarkable growth of our economy and increasing income levels of people, rural savings are not mobilized and invested properly. Investment pattern of the respondents indicated that they wished to park their investments in 'safe' options only, as studied by (**Murlidhar, 2015**). Review on investment behavior of salaried class youth is classified into forms of investment, investment awareness, and spending pattern of investment (**Seeralan & Thavamani, 2018**).

### *2.2 Saving Behavior*

Saving is income does not spend or differed consumption. Research was carried out to compare the spending and saving habit of youth. It was validated that there is a high positive correlation between the satisfaction level of spending and saving, as analyzed by (P, 2019) in his paper. The spending and saving behavior of youngsters is related not only to their current and future earnings but also to the positive or negative responses provoked by social expectations. Family background affects student saving behavior (Falahati & Paim, 2012). Students having higher financial knowledge test score reports savings behavior and fewer financial problems (Sabri & MacDonald, 2010). Also, while assessing the moderating effect of gender on saving behavior, the results indicated that males have a better saving behavior than females (Falahati & Paim, 2012). Studies show that, budgeting, and compulsive buying were significantly related to financial well-being (Gutter & Copur, 2011)

### 2.3 Spending pattern

Association of student spending and saving pattern with individual and family factors were discussed in this paper by (Pritchard, Myers, & D, 1989) concluding that families act as a socializing agent of their children. Spending by youth has obvious public health implications, particularly when it is concentrated on products that have a negative health impact states (darling, Reeder, McGee, & Williams, 2006). The purpose of the study was to identify successful estimating techniques developed by previous studies of the local spending impact of postsecondary educational institutions (Sayed, Chaturvedi, D.R.D, & Shah, 2016). The purpose of one of the studies was to develop marketing and economic facts concerning Utah State University students' income and spending patterns (Dansie, 1964)

### 2.4 Investment pattern

Understanding investment pattern decisions gives opportunity to the asset fund management companies in designing Mutual Fund and other fund portfolios in correspondence with investors' expectations as stated in one of the papers by (Chaturvedi & Shah, 2019). Demographic profile of investors is one of the decision influencing factors for choosing the investment pattern (Shinde & Zanyar, 2015). It is generally seen that youngsters these days indulge in conspicuous consumption and believe in earn and burn policy. Hence a study of money management practices was done to evaluate the emerging trends in their saving and investment avenues by (Emerging saving and investment pattern among youngsters, 2017). Safety and security are always important reasons for investment and are still influential in determining the direction of investment concluded by (Saikia, 2018). Various papers have also focused on the investment pattern of working women, salaried employees, and teachers (Abhinandan & Al - Gamal, 2019). The factors influencing investment pattern are high returns, tax benefit and safety in a study done to determine the relationship between the savings and investments pattern among the salaried class people (Sood & Kaur, 2015). Savings from middle class households also plays a vital role in improving the financial position of a country as it leads to more investments and capital formation in the economy as researched by (Rohatgi, Kavidayal, & Sing, 2019). Researchers suggests that most of the employee's savings are directed to their personal expenses such as child's education, marriage etc. (Kochi, 2018).

### 2.5 Asset Class Preference

In India, usually all investment avenues are professed risky by the investors. However, Mutual funds are said to be the best channels for mobilizing the funds of the small investors and contribute significantly to the capital markets (Rathnamani, 2013). Asset classes like equity markets, currencies, bonds, etc. are witnessing unprecedented volatility in the recent times (Kumari & Malekar, 2012). Empirical work on household financial behavior has identified large differences in wealth levels and in portfolio composition choices of different demographic groups (S. Chiteji, 1999). The researcher, (Muthumeenakshi,

2015) wants to check the earlier research work based on investors among the investment avenues to get an idea about the investment pattern. Asset class preference depends upon the return and risk of the respondents and their risk appetite that they can choose out of the rest of the investment alternatives as analyzed by (Bhat, 2018) in his paper.

## **Research Gap**

Based on the research gap identified from the existing literature, this research focuses on, the students doing their PG programs in the geographical area of Mumbai and understanding how their educational background affects the investment decisions taken by them. The study also focuses on analyzing the long term and short-term investment opportunities that are being looked by the young investors. It will determine the duration of investment which is preferred by the youngsters in today's economic scenario. Moreover, there are no or very few studies focusing on the implications of the educational background on the investment decisions. This study aims at fulfilling these existing research gaps.

## **3. Data Analysis**

The study was done to analyse the investment pattern of MBA students and to understand various factors that affects his/her investment decisions. A sample of 200 respondents were taken to study this research. Primary data was collected by communicating with respondents through a structured questionnaire. This was used as a tool to assess the investment pattern of MBA students. Convenient sampling technique used in this research where investors were taken according to the convenience of the research study. Multiple Regression Analysis was used in SPSS as a statistical tool to evaluate the hypothesis. The data was further summarized using tables, bar graphs and pie diagrams.

### **3.1. Respondents Profile**

The gender distribution of the respondents was categorized as around 51.5% of females and 48.5% of males. As the study was youth centric (specifically PG students) the majority age levels were in the range of 22-26 (58.5%) followed by students within the age 18-22 (39%).

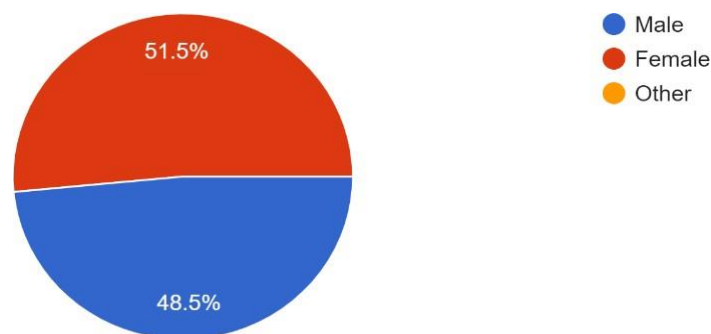


Fig. 1.1 Gender

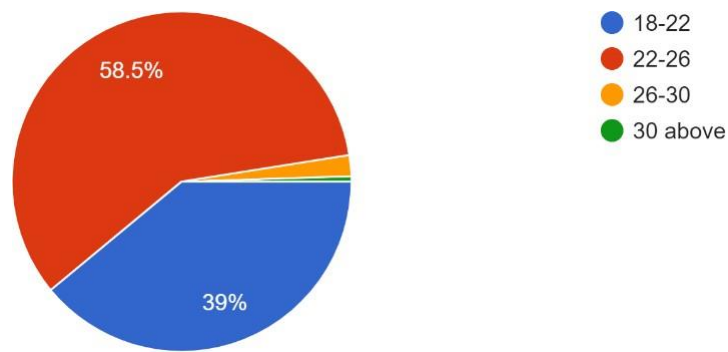


Fig. 1.2

### 3.2. Income Level

As the respondents were mostly students, the income generated from them was less than 10k on a regular basis. 63.5 % of the respondents earned less than 10k. Also, around more than 40 respondents (21.5%), earned within the income bracket of 10-50k. This income was generated from sources like trading in stock market, part time jobs, internships, family dependents, etc. Being students, a major portion of income was coming from family i.e. 76.5% followed by part time job/internships with 8% and trading 5%. Various other sources of income also included self-employment.

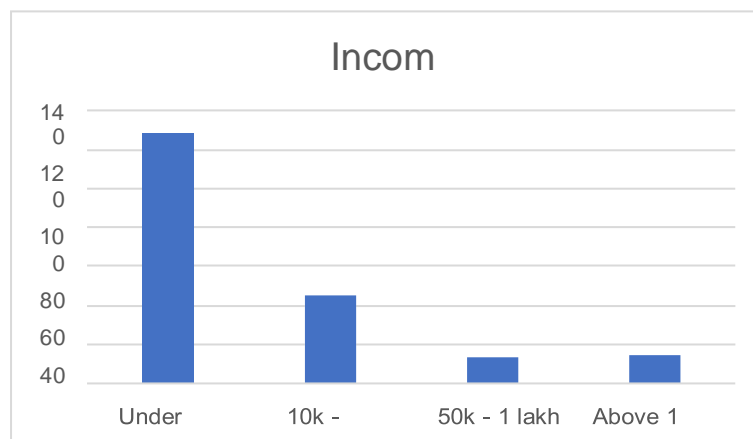


Fig. 2.1 Income level

Source	No. of Respondents	Percentage
Family	153	76.5
Part Time Job/Internship	16	8
Trading	11	5.5
Self employed	13	6.5
Others	7	3.5
Total	200	100

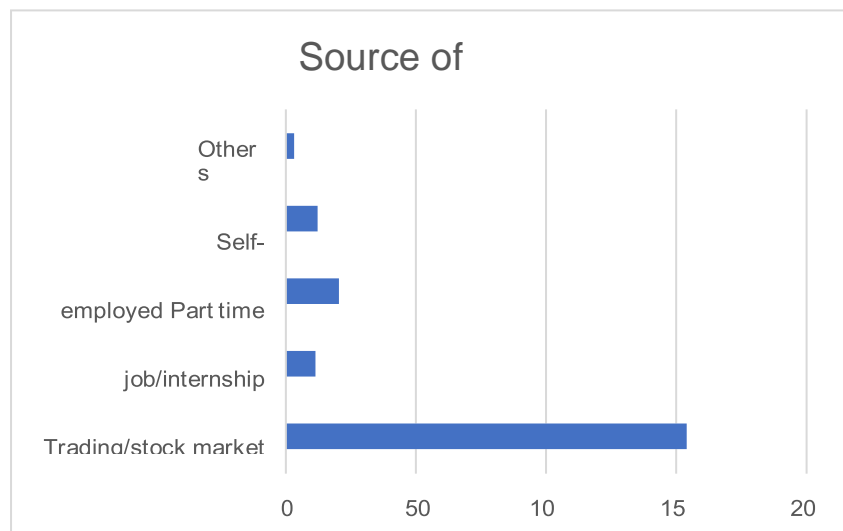


Fig. 2.2 Sources of

### 3.3. Investment pattern

The primary data revealed that 84% of the respondents save/invest a portion of their income. Fig 3.1 indicates the same. However only 34.5% of the respondents assure that they **always** invest their funds whereas 12.5% **never** invests. A majority of investors invest their income sometimes i.e., 53% as indicated in the fig 3.2.

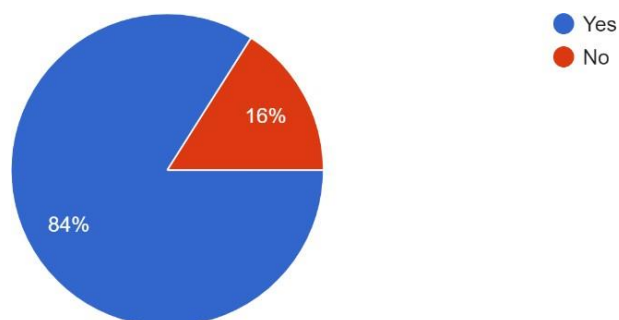


Fig 3.1 Investment

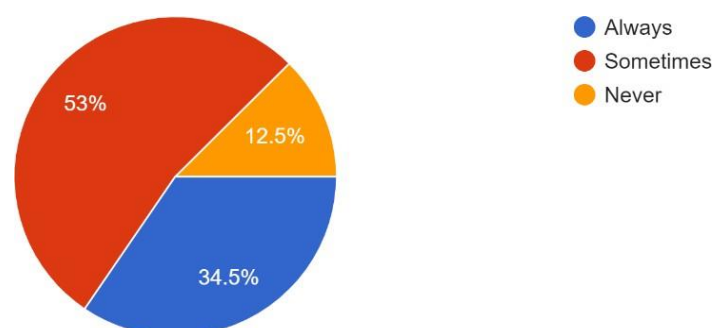


Fig 3.2 Investment

The most preferred asset class among youth tends to be bank deposits with 36% agreeing to it. Followed by

equity (23%) and mutual funds (31%) that the students would like to include in their portfolio. Very less percentage of students showed interest towards Debentures and bonds. Other investment avenues included Golds, real estate, etc.

Asset	No. of Respondents	Percentage
Bank Deposits	72	36%
Bonds	9	5%
Debentures	7	4%
Equity	45	23%
Mutual funds	62	31%
Others	5	3%

Table 3.1 Asset Class Preference



Fig 3.3 Preferred asset

According to the data collected, majority of students i.e., 49% preferred an investment horizon of more than a year. Short term investment period was opted by almost 24% of the students, followed by very short investment horizon of 20.5%. Remaining preferred intraday trading. This indicated that most of the students aimed at a long-term investment pattern.

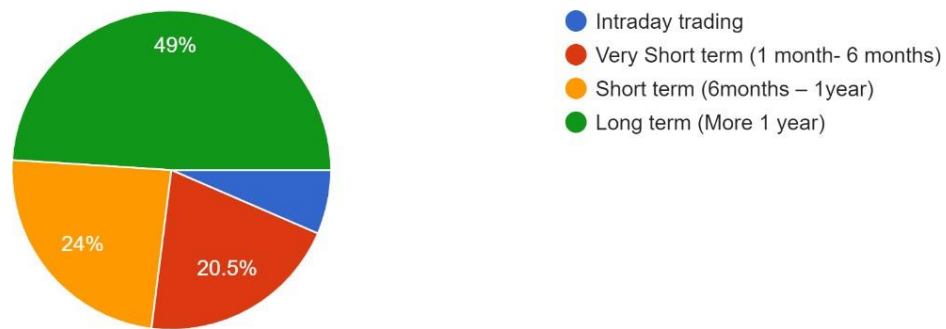


Fig. 3.4 Investment Horizon

Objective	No. of Respondents	Percentage
Build wealth	126	63%
Create Passive income	88	44%
Financial security	122	61%
Learn about investing	79	40%
Hobby	26	13%
Speculation	8	4%

Table 3.2 Objective of Investment

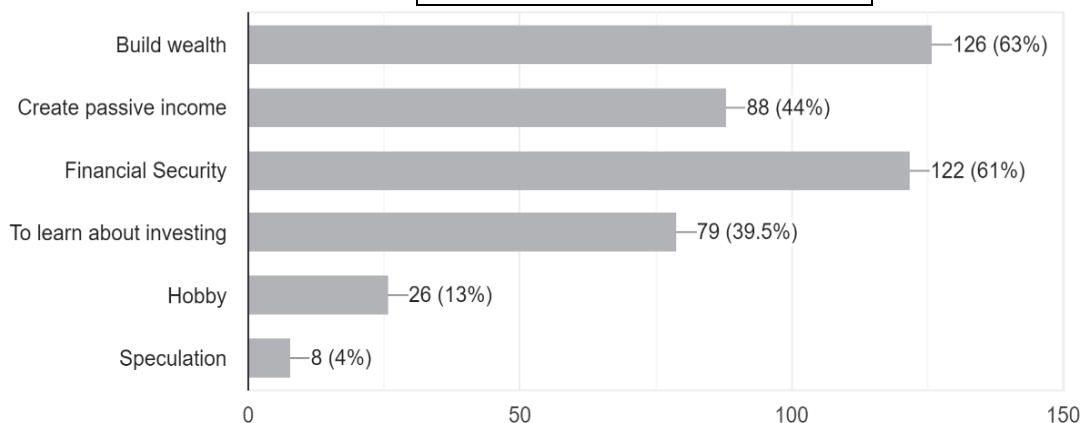


Fig. 3.5 Objectives of

This data covers the risk tolerance of the respondents. A majority of students i.e., 54% prefer low risk low return pattern and thus are risk averse. However, 46% of the students are risk takers preferring a high-risk high return pattern.

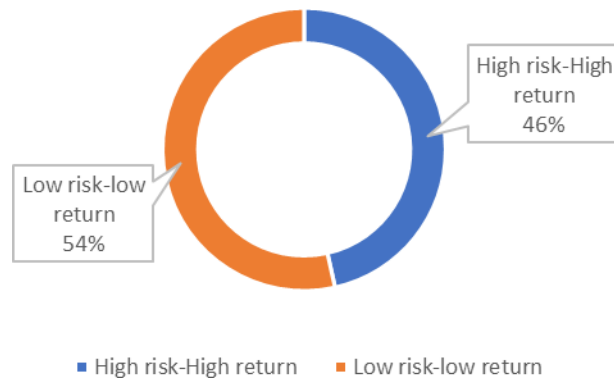


Fig. 3.6 Risk

According to the data collected, students prefer own research and knowledge and their friends and family advice for making investment decisions. This source holds an equal weightage of 62.5%. Followed by broker's advice with a 36% preference. The following table 3.3 and Fig. 3.7 illustrates the same.

Sources of Information	No. of Respondents	Percentage
Family/Friends	125	62.5%
News channels	63	32%
Broker advice	71	36%
Own research/Knowledge	125	62.5%

Fig. 3.3 Source of

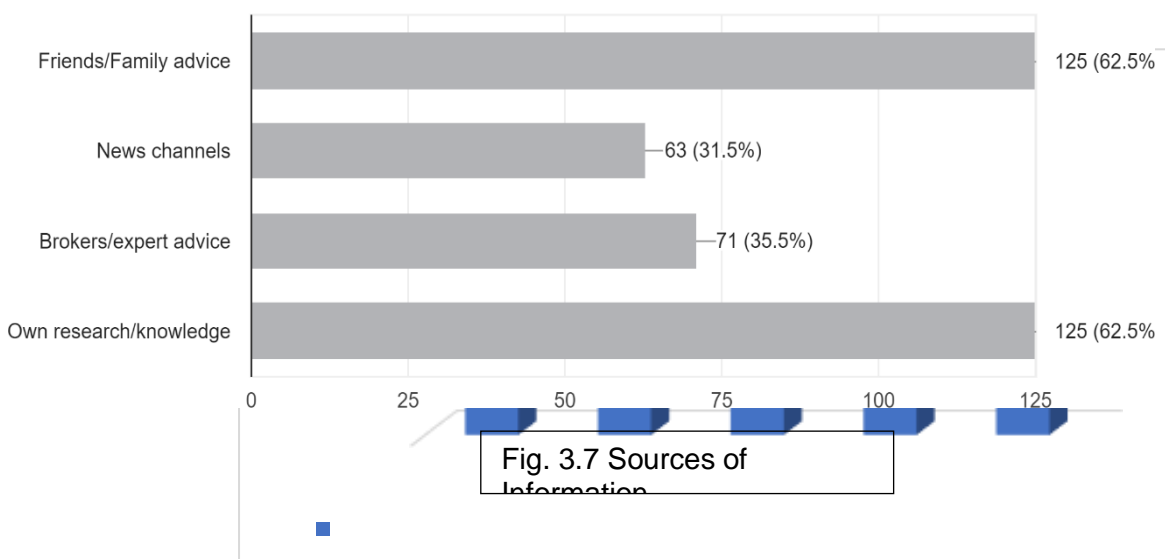


Fig. 3.7 Sources of Information

This data indicates the factors that influences the investment decisions of the students. It shows that safety and

high returns are the most important factor while considering investment options. Followed by risk factor that constitutes 58% and liquidity with 55.5% preference. Time horizon was also considered important by 84 respondents.

Factors	No. of Respondents	Percentage
Safety	143	72%
Liquidity	111	56%
High returns	133	67%
Risk factor	116	58%
Time Horizon	84	42%

Table 3.4 Factors influencing Investment Decisions

	Safety	Liquidity	High Returns	Risk Factor	Time Horizon
Series1	143	111	133	116	84

Fig. 3.8 Factors influencing Investment Decisions

### 3.4. Educational Background

MBA students from various fields were surveyed including finance, marketing, HR, etc. Other specializations include Operation, Telecom, Literature, International Business, etc. A majority of students i.e., 68% agreed to the statement that their educational background affects their investment decisions. However, 18% were uncertain about it.

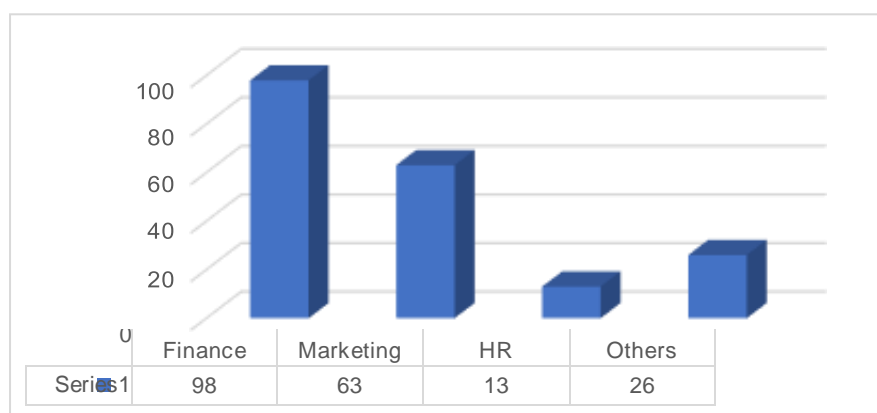


Fig. 4.1 Educational Background

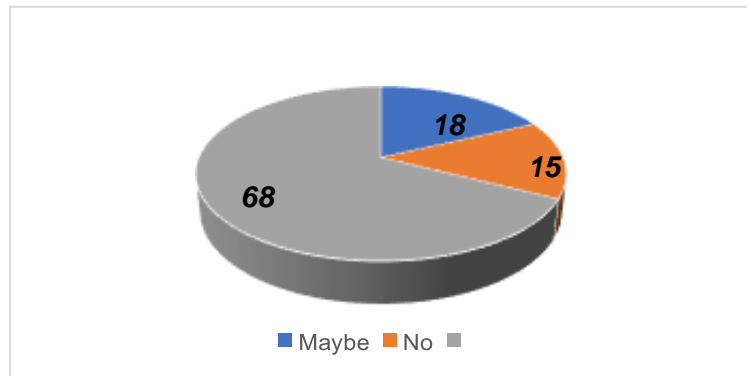


Fig. 4.2 Does Educational Background affects investment

Source: Primary

### 3.5 Hypothesis Testing

“Investment decision of a student is affected by Educational Factor, Risk Tolerance, Asset Class Preference, Investment Horizon, Habit and Frequency.”

Ho: There is no significant relation between **investment decisions** and the other variables H1: There exist a significant relation between **investment decisions** and the other variables

Using the statistical tool of SPSS, **Multiple Regression Analysis** was performed to prove this hypothesis. assess the relationship between investment decisions and all the other variables. The results of the same are discussed below:

Table 3.5.1

Model Summary										
						Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
dimension0	1	.247 <sup>a</sup>	0.061	0.032	0.77	0.061	2.088	6	193	0.056

Table 3.5.2

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	7.438	6	1.24	2.088	.056 <sup>a</sup>
	Residual	114.557	193	0.594		
	Total	121.995	199			

Table 3.5.3

Model	Sig. value	Results
Investment habit	0.03	Sig.
Investment Frequency	0.003	Sig.
Educational Background	0.128	Not Sig.
Asset Class Preference	0.969	Not Sig.
Investment horizon	0.431	Not Sig.
Risk Tolerance	0.34	Not Sig.

### Interpretation

Amount of variance in dependent variables that the independent variables account for =  $R^2$  Here,  $R^2 = 0.061$  i.e., 6.1%

Thus, the overall regression model was not significant for all the variables

$F(6,193) = 2.088$ ,  $p < 0.05$ ,  $R^2 = 0.061$

Thus, we accept the null hypothesis

Table 3.5.2 states that only Investment Habit and Investment Frequency are significant to Investment Decisions. Whereas all the variables like that of Asset Class preference, Investment Horizon, educational background and Risk Tolerance are not very significant.

## 4. Findings, Conclusions and Recommendations

### 4.1 Findings

1. The demographics of the respondents includes 200 young investors mostly in the range of 22-26 years of age. It was found that a majority of income of these students was less than 10k and a major source of this was through family (almost at 76.5%).
2. The primary data revealed that 84% of the respondents save/invest a portion of their income. **Bank deposits, equity and mutual funds** tend to be the most preferred form of investment among the young investors.
3. One of the major objectives of this research was to find out the investment horizon of the students. The primary data shows that 49% of them, inclined towards **long term investment** and consider **building wealth and financial security**, as major objectives of investment.
4. The risk tolerance seems to be on a lower side, with 54% of the respondents favoring **Low risk-Low return** investment pattern. And thus, **Safety** being one of the most important factors of deciding the investment avenue.

5. Considering all the **educational background** of the students, a majority of students depend on their own research or knowledge as well as suggestions from friends and family, while deciding on the investment pattern. An almost of 68% of the students believe that their educational background affects the investment decision making.

6. However, After the data analysis in SPSS, the **multiple regression** model states that only Investment Habit and Investment Frequency are significant to Investment Decisions. Whereas all the variables like that of Asset Class preference, Educational Background, Investment Horizon and Risk Tolerance are not very significant.

## 4.2 Conclusion

After the analysis & interpretation of data, it can be concluded that students are aware about investment avenues, but do not invest in riskier assets. A majority of investors are preferring to invest in their money in bank deposit, equity, mutual funds, etc. The data analysis of research reveals that safety is concerned as the most important factor while doing investment and thus low risk low return pattern is followed. Also, a majority of the students prefer a long-term investment pattern.

Being MBA students from various backgrounds like Finance, Marketing, HR, etc., the respondents agreed to that fact that their educational background affects the investment decisions taken by them. However, After the data analysis in SPSS, the **multiple regression** model states that only Investment Habit and Investment Frequency are significant to Investment Decisions.

## 4.3 Recommendations

Quoting J. Kenfield Morley, “In investing money, the amount of interest you want should depend on whether you want to eat well or sleep well”.

An individual investor should keep the following points in mind while taking the decisions related to savings and investment of the savings:

1. Any individual should start the habit of **early investment**. A small amount today can-do wonders in future. And thus, as young investors, investment towards right direction is essential.
2. An investor needs to be **well informed** regarding all the available investment avenues be it stock market, Bank deposits, or even Gold, commodity, real estate, etc. An informed investor can take better decisions.
3. Institutions should provide all the related knowledge of investments to all the specializations and information about the market situation via programs, conferences and seminars related to the present issue.

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