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Shift in investment pattern in India

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Abstract – *The paper talks about the shift in investment pattern in India in last past decades. The factors like increase in technology, changes in priorities, mindsets of people, awareness, age factor, economy there is change in investment type (investment types includes gold, stock markets, mutual funds, provident funds, fixed deposits).*

Key Words: Investment, Stock market, mutual funds, Technology, Priorities, Age factor

1. INTRODUCTION

The developing countries in the world, like India face as seen the enormous task of finding sufficient capital to utilize in their development efforts. Investment has always played an important role in an individual's life. Every person has different need and according to their needs or requirements they plan their investments. It is said that investment is a future income so if we plan our investment today that benefit will give us future security. The major fectors that are seen in an investment are safety of principal amount, liquidity, income and its stability, appreciation and lastly easy transferability. Investment varies from person to person, needs to needs then type of investment changes due to various factors like increase in technology, changes in demand/priorities, economy, increase in life expectancy, age factor etc.

There are various types of investments like investment in stock market, mutual funds, gold, fixed deposits, provident fund and real estate. This investment carries their individual benefits and risks. Individual choose their investment according to their risk ability.

This study focuses on how the investment pattern changes due to different factors.

2. OBJECTIVE OF THE STUDY

- The objective of the study is to know the shift in investment design.
- To know due to which factor there is change in investment pattern.
- To study factors that is influencing investment behavior of the peoples.

3. RESEARCH METHODOLOGY

Research Design

This research is based on descriptive research design followed by exploratory. The report is on primary source which is collected in the form of a questionnaire and the minor part is of secondary source which is collected from various website, research paper and books.

Statistical Tools

There are various statistical tools which are used in analyzing data. The following tools are used for representing and analyzing data. Data Representation:

- Percentage
- Graph
- Diagrams

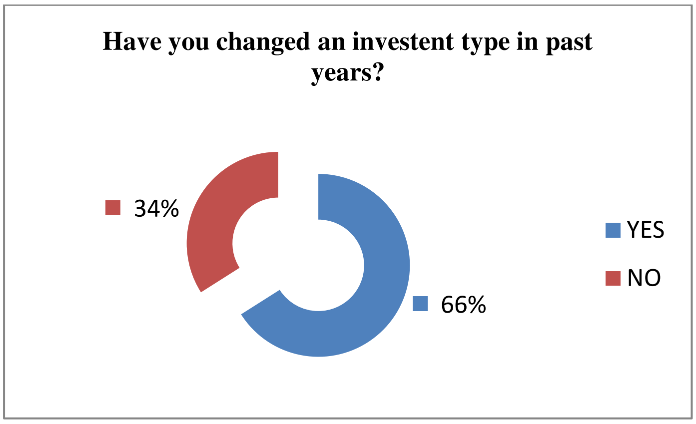
Scope of the study

The scope of the study is focusing on the investment pattern in India. Geographically the scope of the study is limited to India. The research is based on investment pattern.

Need of this study

In connection with this Researcher has tried to find out investment behavior of investors in India. It will be helpful to understand the investment preferences of investors. The research paper will become the helping hand to the research scholars as well as students for their further studies in their respective area.

4. DATA ANALYSIS



The chart above is based on data collected with the help of questionnaire says that 66% people have changed their investment type and 33% have not change.

Data collected from secondary sources indicates that investment pattern has changed in last 2 decades. There could be many reasons for this investment change. The factors that can be the reasons for change is as follow:-

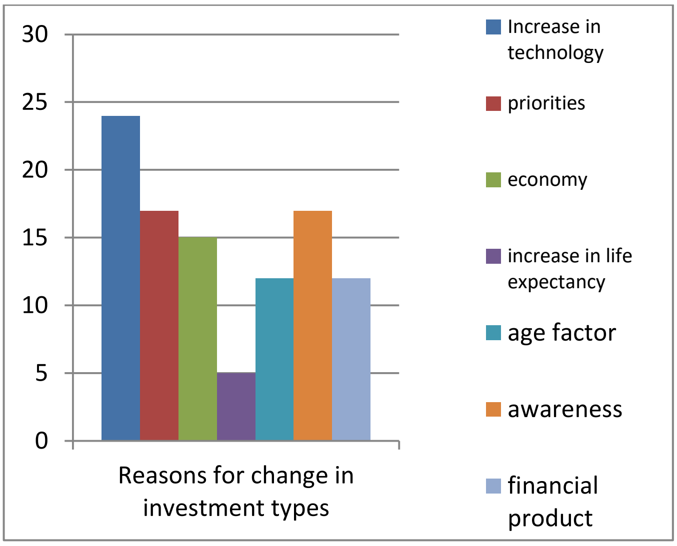
- Increase in technology
- Changes in demand/priorities
- Economy
- Increase in life expectancy
- Age Factor
- Awareness
- Increase in financial product/services

The reasons mention above each one of them plays an important role at their own place. with growing time technologies is increasing with increasing in technology the service provided is easy to manage and easy to use this factor plays an important role in change in pattern. If we compare priorities of an individual 20 years back and priorities now have different so if the demand is different than the investment type will also be different. We can also say that age factor also plays and important change 20 years back mentality of an individual was different like they were not ready to take high risk but now many individual is taking risk with their investment.

The life span of a person has also increased so automatically the demand of that person will also increase. Awareness of investment increase with the help of new technology like television, mobiles etc government has also taken steps to spread the awareness and financial products and services has also increased this all factors are the reasons of change in investment.

We can say that people are getting affected with different factors around them which change their behavior and attitude towards their investment.

This graph below shows the percent of reasons change in investment type. The biggest reason we can see is change in technology.



With changing in people mind set there change in investment type. Investment type includes gold, stock markets, mutual funds, provident fund, fixed deposit, real estate.

People in 1980-1990 had their own perception towards the term investment they have their own goal for which they invest the survey says that; at that point people were not that ready or convinced to take high risk because at that time they were not aware of other type of investment plus in that period the technology was also not that advance for their investment so more often the invest in safer side like LIC, government bonds etc. After 1991 when LPG (Liberalization, privatization and globalization) came in India the situation changed like many private businesses started which gave a different shape to the economy.

With growing time mindsets of people were also changing they started investing in different assets like gold, real estate. People started recognizing the value of gold which is increasing year on year plus in our country (INDIA) we believe in gold as a pure thing.

Talking about real estate which started rising from year 2001 but it got slowed in year 2008-09 due to recession. In 2016 government have introduce various scheme to encourage investment. People started investing in various different types in mutual fund, provident fund, and fixed deposit.

When demonetization happened in November 2016 many things changed people started shifting from fixed deposit towards mutual fund due to higher return against inflation. Investors can also invest their funds in saving schemes like

NSC and PPF as they would give higher returns when compared to the fixed deposits of banks. One can also consider investing in tax-free bonds as they give 6% returns and do not have a lock in period. The interest earns on tax-free bonds is not taxable whereas the interest that is earned on fixed deposits is taxable. Apart from the reduction in the interest rates on bank fixed deposits, one can also expect a reduction in the lending rates which would mean lower EMIs on your home and car loans.

When compared on the risk factor, stocks are more risky than mutual funds. The risk in mutual funds is spread and hence, reduced with the pooling of diverse stocks. Every individual has their own level of risk according to their priorities they invest. And also the age factor also affects the investment; according to the life cycle of the

Life-cycle funds are asset-allocation funds during which the share of asset class is automatically balanced to lower risk because the desired retirement date approaches. This usually means the share of bonds and other fixed-income investments increases. Life-cycle funds also are referred to as "age-based funds" or "target-date retirement funds."

A young investor saving for retirement would typically choose a life-cycle fund with a target date that's 30 to 40 years away. However, an investor nearing retirement age could be planning a working retirement with some income from a little business. Such an investor could select a life-cycle fund with a target date that's 15 years within the future. Higher volatility can help to stretch retirement funds over the 20 or more years of adulthood most people can expect.

And the change, though gradual, is gathering speed. Mutual funds are now a favored avenue for investing in equity. This is amply reflected in the 50% jump in mutual fund folios over the past 3 years from 40mn to 60mn. Monthly SIP flows are now around Rs.50bn, an annual inflow of more than Rs.700bn. In addition, higher market returns and stronger flows have markedly improved the domestic mutual funds market's CAGR over the past three years.

Financialisation and diversification of investment will be important themes that are likely to play out over the next ten years. Indian households will benefit immensely by reallocating assets in favor of financial markets rather than gold. For e.g. If households reallocate a quarter of their existing gold holdings to financial assets, on an average, they could earn an amount equivalent to 0.8% of their annual income per year (on an ongoing flow basis).

5. Conclusion:

To conclude we can say that in past decades due to various factors investment pattern has changed shifted. Investors are slowly awakening to the power of investing and are open to exploring new access of investment. Regulators and organisations, on their part, are doing their bit to educate investors about financial investments. This will be leveraged with a hard sense of direction to promote financial products – mutual funds, insurance, stock markets etc.