

Evaluating Retail Investor Preferences: A Review of Traditional and New Age Investment Options

¹Prof. Dr. Rana Singh, ²Dr. Sweta Rani

¹Dean Academics and Director

Chandragupt Institute of Management Patna (CIMP)

²Academic Head

International School of Management, Patna

Abstract

This study aims to understand an individual's purchasing behavior for various investment opportunities. Investing is essential to achieving your goals. It is your best bet for a better future. The connection between a particular investor's actions and behavioral bias in the context of making investing decisions. The study's goal is to investigate how behavioral biases affect investing decisions. Investment activity is dangerous since it is predicated on future unpredictability. The growing number of retail investors in the Indian financial markets necessitates a thorough investigation into their purchasing patterns and conduct. The goal of the present research is to determine how an individual investor's demographics affect their financial habits, risk tolerance, and choice of mutual funds. The impact of demographic factors on the selection of risky versus non-risky and all possible investments together are investigated in this study. Based on statistical testing, it has been determined that age and income are two demographic variables that affect people's choice of investments. Tests performed on the gathered data revealed that respondents' income levels had an impact on their decision to make riskier investment decisions. Additional research along these lines is crucial in many ways. Given the significance of the retail investor in a growing nation such as India, the results of this study will contribute to our understanding of the retail investor. In the near future, financial experts will be able to create more specialized financial solutions with a deeper comprehension of end-user behavior.

Keywords- Investment Avenue, Investor behavior, Investor Perception.

An investment is a decision to make a purchase that has the potential to increase in value or create wealth. The concept of investment can be very properly expanded to include not only selecting the most suitable investment choice but also regularly tracking and handling the investment's progress. Higher education levels, accessibility to information, investing instruments, and the simplicity with which investments can be made have all contributed to an increase in knowledge of and interest in investment opportunities.

Any nation's ability to flourish economically is reliant on its financial system's organization. The phrase financial system encompasses both the markets for financial goods and the financial organizations that provide assistance to the system. The primary goal of the system is to mobilize

savings in the form of cash and financial assets and allocate them wisely to profitable endeavor's. It encourages investments and savings, which hasten any nation's growth in economy.

Investment meaning

Making an investment entails sacrificing something now in the hopes of reaping rewards later. The sacrifice made now and the return gained later are the two most crucial aspects of an investment. Investment is the giving up of some current assets in exchange for an unknown future gain. An investment is any activity that involves committing money, either physically or financially, with the hope of earning more money later on. There is a chance that the quantum of return will fluctuate between a minimum and a maximum depending on the anticipation. Investment risk is the probability that the actual return will vary. Therefore, there is a risk and a reward on all investments.

Investment Avenue

- **Cryptocurrencies**-Over the past several years, the popularity of cryptocurrencies has grown; as of 2018, there were over 1,600 of them! And the quantity keeps increasing. As a result, there is a growing need for blockchain developers. Blockchain developers are highly appreciated, as seen by their wages.
- **Debentures**-A debenture may be used as a tool or instrument to borrow money at a fixed interest rate. It's basically used by really large companies. A certificate of indebtedness is a legal document that details a loan from one party to another on predetermined terms, including interest rate and maturity amount. A debenture is a document that bears the corporate seal and acknowledges a loan to the company. It usually consists of a fixed or floating charge on the company's assets or business and provides for the periodic payment of principal and interest. A) Registered debentures; B) Bearer debentures; C) Secured debentures; D) Unsecured debentures; E) Redeemable debentures; F) Non-redeemable debentures; and G) are the required types of debentures. Debentures that are not convertible (h) Convertible Debentures.
- **Equity Shares**- The true proprietors of the business are the equity stockholders. In the company meeting, they are eligible to vote. They have authority over how the business is run. Dividends are paid to preference and debenture holders before being distributed to equity shareholders. The dividend rate is determined by the company's profits. They might receive a greater dividend rate or nothing at all in the event of the company's insolvency. Only after creditors' and preference shareholders' demands have been satisfied do these shareholders receive their capital back. Investors in the shares run the risk of losing both their share money and their income.
- **Mutual Funds**-A mutual fund is an institutional tool used by investors to combine their resources and invest in a variety of securities, therefore spreading and lowering risk (Gupta, 2015). A fund is a professionally managed investment concept that occasionally extends beyond a quality management company that gathers investors and makes investments in bonds, equities, and other assets. Mutual funds are available in a wide variety. Open ended schemes, closed ended schemes, interval schemes, equity funds, debt funds, money market funds, growth funds, income funds, growth funds, growth funds, income funds, income funds, and liquid funds are among the items in it.
- **Real Estate Investment**- Indian real estate investments have been rapidly displacing other investment alternatives for both local and foreign investors. According to recent predictions by Ernst & Young and the Federation of Indian Chambers of Commerce and Industry (FICCI), the Indian real estate market is expected to grow significantly over the next several years and become one of the top financial destinations for global real estate corporations. The potential of the Indian real estate market has the potential to completely transform the country's economy as it changes the skylines of Indian cities and attract investment from a wide range of industries, including commercial, residential, retail, industrial, hotel, and healthcare. However, the largest contribution to this progress has come from the country's booming IT sector, which accounts for an estimated 70% of all new construction.
- **International Equity**- Purchasing stocks outside of the US market is known as investing in international equities. International mutual funds, international stock funds, and international equity funds are interchangeable terms. But the fundamental idea remains the same: they are made up of stocks that are not American. These funds buy equities using a particular investing technique and then offer the mixture of shares to different buyers. In this instance, the only true distinction is that all of the equities are in foreign companies or suppliers. This knowledge is crucial.
- **Fixed deposits**-A deposit is considered a fixed deposit whenever a predetermined amount of money is made in a bank for a predetermined fundamental quantity and at a fixed interest rate. Every bank offers fixed deposit options with a wide range of terms, from seven days to ten years. When the investment matures, the investor is entitled to the principal amount plus interest attained at the predetermined interest rate.
- **Life Insurance**- A life insurance policy can be a multi-year contract that covers a person's whole lifetime or a predetermined number of years between them and an insurance company. Within an insurance contract, there are two parties: the insured (the person purchasing the insurance policy) and the insurance firm (the insurance company). A capitalist must make periodic payments to the insurance firm after adding an insurance policy to his portfolio. The title of this installment is premium. The essential categories of insurance plans are: (a) whole life; (b) limited payment; (c) endowment; (d) joint life; (e) sinking fund.

- **Savings-** A savings account is a type of account that banks offer customers to help them manage their money and prevent them from spending it while also earning interest. A savings account is used to save money for particular costs or long-term, undefined objectives. Savings deposit interest is quite little. Currently, interest rates vary from 4% to 6% annually.
- **Post Office-** Post offices provide many investment plans, such as the Monthly Income Scheme (MIS) and the Kisan Vikas Patra (KVP), among many others. One can start investing with a tiny sum and all plans are completely risk-free. Investors can choose the plan that best suits their needs from among those that offer tax-saving benefits.
- **Investment in Gold and Silver-**India is the world's biggest gold consumer, giving gold far more emotional significance than its monetary worth. The majority of gold was discovered to be kept in central banks in western nations, however in India, people have a tendency to use gold mostly for jewelry. When it comes to business, it is well known that gold is among the greatest investment tools ever. India has the world's biggest demand for gold, with jewelry accounting for almost 90% of all gold purchases. Further factors driving up demand for gold include increased irrigation, technological advancements in agriculture producing significant marketable surpluses, and a very unequal distribution of income in rural areas. Investors can consistently expect strong returns, flexibility, safety, and liquidity when using gold as an investment vehicle. Therefore, set aside a percentage of your portfolio for gold investments as well. You should also develop the habit of purchasing one gramme of gold at least once every quarter, half-yearly, or annually.
- **Provident Fund-**A central government-introduced retirement fund and tax-saving seed program might be the public provident fund. Any head post office, nationalized bank, or branch of a financial company in an Asian nation will open PPF accounts. After fifteen years from the original investment date, the PPF account matures. To start and keep a PPF account, you must deposit at least Rs. 500 annually. There would be a minimum deposit of Rs. 1,50,000 in the PPF account. Currently, the public provident fund has an annual interest rate of 8.1%.
- **Government Securities-**Government securities are those that are issued by federal, state, and quasi-governmental entities. Since these are protected by the heavy might of the state, they are regarded as low risk securities. There are three types of government securities. Treasury bills, Treasury notes, and Treasury bonds are among them.
- **Bonds-** A bond is a type of debt investment where investors lend money to a company or government body that needs to borrow money for a set amount of time at a fixed or variable rate. Corporations, states, towns, and governments use bonds as a means of raising capital to fund various projects and initiatives. These are government-issued unit debt instruments with a fixed six-year term and an interest rate of 8% per year paid in half yearly installments. In 2003, the Indian government introduced bonds for the first time. Convertible and non-convertible bonds, sinking fund bonds, secured and unsecured bonds, redeemable and irredeemable bonds, and joint bonds are the required bond types.
- **Commodity Market-**A market that deals in the primary economic sector as opposed to manufactured items is known as the commodity market. The commodity market encompasses both physical and derivative trading through the use of forwards, futures, options, and so on. It is a physical or virtual marketplace for the purchase, sale, and exchange of raw or primary goods like gold, silver, oil, etc. Currently, there are about 50 major commodities markets worldwide that support the trading of investments in about 100 primary goods.
- **Forex Market-**The foreign exchange market for mercantilist currencies can be either globally centralized or conducted over the counter. This covers every facet of marketing, purchasing, and exchanging currencies at established or current rates. The physical and institutional framework needed to exchange one nation's currency for another is provided by the exchange market. The rate of currency exchange is predetermined, and exchange operations are carried out in person. An agreement between a customer and a marketer that specifies that a certain amount of one currency will be delivered at a set rate for a few other currencies is known as a foreign exchange dealing.

Investors Perception

Investor perception pertains to the selection, acquisition, and use of products and services to fulfil their desires. The investor's perception is influenced by many processes. In essence, the investor looks for the kinds of investments that appeal to him or her. Only those that offer more utility are chosen by the investor. Following investment selection, the investor estimates the amount of money that is accessible for spending. Lastly, the investor determines which investment to make after examining the current pricing of investments.

Objectives of Investing-

1. To research how investors view different investment opportunities.
2. To ascertain the investor's level of experience and investment preferences.
3. The primary goals of investing are to lower risk and raise rate. Subsidiary aims include other goals including liquidity, security, and the prevention of inflation.

Importance of the Study

Investment decisions cannot be made by investors. Humans are knowledgeable, but they are not close to the applications of that knowledge. Cognitive biases are the way an investor perceives and thinks while they are making decisions for themselves. Typically, an investor's primary goal is to minimize risk and maximize return on capital. An investor is a private individual who places money into investment products in the hopes of earning a good return on investment. Investors make unlikely investing decisions due to behavioral characteristics such as availability, representativeness, anchoring, and overconfidence. to ascertain the ways in which therespondents who are investors engage in different investment outlets. This study aims to explore investors' investment preferences and the impact of heuristic tendencies on their riskier investment choices.

Research Methodology-

Research Design

This study adopts a qualitative research approach to explore the behavioral biases affecting retail investors' preferences towards traditional and new-age investment avenues in the Indian context. A qualitative approach is chosen to gain in-depth insights into the motivations, perceptions, and decision-making processes of retail investors.

Data Collection

1. Primary Data:

- **Interviews:** Semi-structured interviews will be conducted with a diverse group of retail investors. The interviews will focus on understanding their investment choices, risk tolerance, and the influence of demographic factors such as age, income, education, and gender on their investment decisions.
- **Focus Groups:** Focus group discussions will be held to capture collective insights and shared experiences of retail investors. This method will help identify common themes and behavioral biases influencing investment decisions.

2. Secondary Data:

- **Literature Review:** A comprehensive review of existing literature will be undertaken to understand the theoretical underpinnings and empirical findings related to investor behavior, investment avenues, and demographic influences. This will provide a foundation for the primary data collection and analysis.

Sampling

- **Sampling Method:** Purposive sampling will be used to select participants who represent a range of demographic characteristics and investment experiences. This method ensures the inclusion of diverse perspectives.
- **Sample Size:** Approximately 30-40 retail investors will be interviewed, and 3-4 focus group sessions with 6-8 participants each will be conducted.

Data Analysis

- **Thematic Analysis:** The data collected from interviews and focus groups will be analyzed using thematic analysis. This involves coding the data to identify recurring themes, patterns, and insights related to investor behavior and preferences.
- **Comparative Analysis:** A comparative analysis will be conducted to examine differences and similarities in investment preferences across different demographic groups. This will help in understanding how factors like age, income, education, and gender influence investment choices.

Ethical Considerations

- **Informed Consent:** All participants will be informed about the purpose of the study, their rights, and how their data will be used. Written consent will be obtained before participation.
- **Confidentiality:** The confidentiality of participants' information will be maintained, and data will be anonymized to protect their identities.
- **Voluntary Participation:** Participation in the study will be entirely voluntary, and participants can withdraw at any time without any consequences.

Literature Review-

- Ip, W., and Mak, M. K. (2017). It has been observed emphatically that psychological, sociological, and demographic aspects influence investing decisions. Predicting investment preferences in Hong Kong and Main Land China is made easier by factors such as education, income, gender, and investment experience.
- According to Mishra P. and Chhatoi B. P. (2018), a Chi square test revealed that there is a relationship between the investor's profession and time duration of investment but not between investment and awareness levels or profession.
- According to study by Ravichandran K. (2008), investors of the younger generation are willing to make capital market investments, particularly in the derivatives segment. Even when investors in the derivatives segment lack sufficient understanding, they frequently attempt to invest in the market by seeking advice from brokers or friends. He comes to the conclusion that the majority of investors are working executives and entrepreneurs between the ages of 31 and 40. He adds that the most powerful people to entice investors into the capital market are friends, family, and brokers.
- According to Manasa Vipparthi and Ashwin Margam (2012), an investor's view is based on their demographic profile, and they evaluate that an investor's age, marital status, and occupation directly influence the investment that they choose. The study also showed that the female market is underutilised and that there is less focus on individuals with higher incomes. The findings indicate that characteristics such as liquidity, transparency, tax savings, flexibility, and service quality have a greater influence on investors' perceptions.
- According to Sukhwinder Kaur, Batra.G.S., and Bimal Anjum (2014), when investing in mutual funds, investors should take into account long historical data, the fund's size and age, fund charges, and some sort of fund analysis tool. It was discovered that although investors believe stock market investments are complete and dangerous, they view mutual fund businesses as efficient asset managers and view mutual funds as a flexible investment alternative.
- The significance, meaning, and applicability of behavioural finance in investment decisions are examined by Choudhury AK (2013) [8]. This conceptual article explains why investors behave irrationally while making financial decisions. It illustrated how investors' decision-making is influenced by feelings and cognitive errors. The author discovered that a number of factors, including loss aversion, overconfidence, herd behaviour, anchoring, and over- and under-reactions, affect investors' investing decisions. The basic goal of the behavioural finance approach is to examine investor behaviour patterns and determine how these patterns influence investing choices. It offers investors a framework for assessing active investment methods.
- Pandey M. and Bisen V. (2013) aimed to pinpoint the psychological elements that significantly influence investors' decision-making. The writers also shed light on the ways in which behavioural and standard ideas run counter to contemporary financial theories. The necessary data was gathered using a questionnaire and the survey method. 195 responders made up the study's sample size. Chi-square analysis was used in the design and testing of the hypothesis. They discovered that investors behave differently when a stock is losing money in the market

than when it is gaining, and that loss aversion makes them more sensitive to losses than profits. Authors came to the conclusion through hypothesis analysis that investors' perceptions differ because they base their decisions on newly available information.

- The association between financial risk behaviour and financial risk tolerance was examined by Kannadhasan M (2015). It was discovered that there is no relationship between financial risk tolerance and education or income level. The respondents' capacity to take risks is impacted by their large families and high levels of household duties. For younger investors, the long-term effects of macroeconomic factors such as fluctuations in exchange rates, market volatility, inflation, political unpredictability, and the effect of global crises on the economy are equal.
- Suman (2012) conducted research on the stock market investing habits of individual investors. It was discovered that respondents gave careful thought to both annual income and annual savings because income level affected savings level. Investors of today were well-versed in the stock market. Investors' stock market investment patterns were impacted by market changes.
- In 2017, Amaraveni P and Archana M Analysis was done on respondents' preferences for different investment opportunities. It was discovered that while age had no bearing on the investment path chosen, income level did have a considerable influence.
- Financial literacy was studied using Bhushan P. (2014)'s framework of financial behaviour, financial knowledge, and financial attitude. The study found a correlation between investment preferences and financial literacy and awareness. According to the results of the chi square test, there is a substantial relationship between the income levels and the investment's goal.
- When Prof. CA Yogesh P et al. (2012) surveyed salaried individuals about their investment perspectives, they discovered that investment mutual funds were among the most popular options among young people today, and that young people also preferred the real estate market, while older residents preferred fixed deposits. Gold remained somewhat of a preference, particularly for women, and tax savings was one of the main drivers of adolescent investing. Due to money blocking and reduced yields, other traditional investment choices such as fixed deposit or post office schemes like NSC, NSS, KVP, or IVP were losing ground.
- According to Gunjan Tripathi's (2014) research, gender, career, and level of education have little bearing on a person's decision to engage in derivative investment. Income, however, is shown to have a big impact on derivatives. Additionally, he mentioned that investors are employing these assets for arbitrage, speculating, risk management, and profit enhancement.
- According to research conducted in 2014 by Shailendra Kumar Chaturvedi, Aravind Kumar Singh, and Karanveer Singh, mutual funds are a tax-saving tool and, to some extent, a return-oriented investment. Additionally, it was discovered that investors preferred to invest in public enterprises over private ones.

Findings and Conclusions-

According to the investigating nearly all of participants were familiar of all potential savings options, including Treasury bills, national mutual funds, insurance plans, bank fixed-income accounts, bonds, stocks, and debentures, among others. Many respondents said that they were interested in savings accounts with fixed deposits; stock markets, mutual funds, gold and silver, and bonds and debentures came next, in that order. The majority of respondents said that their favourite way to save money was through bank fixed deposits. The research clearly indicates that consistent income was the main goal for investments, followed by increased income or profit, capital growth, and interest and capital return safety, in that order.

It is evident from the examination and understanding that patrons hold varying opinions regarding factors such as market sentiment, investment patterns, frequency of investment, availability of options, and investment choices that impact their views of various investments in the market. The research ends that, as a result of the Indian GDP's rapid growth, improved business performance, lax rules and regulations by regulatory bodies like SEBI to safeguard investors' interests, and other factors, the Indian investment community has demonstrated a great deal curiosity in investing in safer alternatives like deposits into banks and other financial services that are readily accessible in the markets. This process is expected to pick up speed in the future.

References

- [1] Mak, M. K., & Ip, W. (2017). An exploratory study of investment behaviour of investors. *International Journal of Engineering Business Management*, 9, 1–12.
- [2] Mishra P&Chhatoi B P (2018), Investing in Mutual funds: Does profession matter?, *IOSR JOURNAL OF BUSINESS AND MANAGEMENT*, Volume 20, Issue 2. Ver. IX, PP 38-44, 23197668
- [3] Ravichandran.K A study on Investors Preferences towards various investment avenues in capital market with special reference to derivatives, *Journal of Contemporary Research in Management*, July-September 20
- [4] ManasaVipparthi and Ashwin Margam, Perceptions of Investors on Mutual Funds – A comparative study on Public and Private sector mutual funds, *Tecnia Journal of Management Studies*, Vol. 7, No. 1, April – September 2012.
- [5] Sukhwinder Kaur, Batra.G.S and BimalAnjum, Investor’s Perception towards selection of Mutual Funds rather than stock market, *International Research Journal of Business and Management*, November 2013, ISSN: 2322-083X.
- [6] Choudhary AK. Impact of Behavioural Finance in Investment Decisions and Strategies: A Fresh Approach, *International Journal of Management Research and Business Strategy* 2013;2(2):85-92.
- [7] Kannadhasan M. (2015). Retail investors’ financial risk tolerance and their risk-taking behavior: The role of demographics as differentiating and classifying factors. *IIMB MANAGEMENT REVIEW*, 27(3), 175–184
- [8] Amaraveni P, Archana M(2017), A study of investor’s behavior towards various investment avenues in Warangal city, *ASIA PACIFIC JOURNAL OF RESEARCH IN BUSINESS MANAGEMENT*, Vol. 8, Issue 7, July 2017 , 2229-4104.
- [9] Bhushan P (2014). Relationship between Financial Literacy and Investment Behavior of Salaried Individuals. *JOURNAL OF BUSINESS MANAGEMENT & SOCIAL SCIENCES RESEARCH*. 3. 82-87.
- [10] GunjanTripathi, An Empirical Investigation of Investors Perception towards Derivative Trading, *Global Journal of Finance and Management*, 2014, Vol. 6, No. 2, pp. 99-104, ISSN 0975-6477. 7.
- [11] Shailendra Kumar Chaturvedi, Aravind Kumar Singh and Karanveer Singh, A Roadmap of customers perception towards mutual funds in Uttar Pradesh with special reference to Lucknow city, *International Journal of Scientific Research and Management*, Vol. 2, Issue 11, 2014, pp. 1724- 1730, ISSN(e): 2321-3418.