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A Study on Savings and Investment Patterns of young Investors of Pune city

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Abstract:

"Savings and prudent investments is inevitable for secured financial future". This bare truth needs to be understood and analyzed. Savings and Investment are considered as two very important concepts that need to be studied in order to understand the behavior, pattern and decision-making process of the mass investors. Even today majority of the people are still not aware of the significance of savings and investments. Therefore, it is very crucial to make them aware about the importance of investment, different avenues available in the market and then, understand their attitude towards the investment at early stage of life. The present study can be relevant to understand the investing pattern and attitude, behavior investors in India mainly in Pune.

Key Words: Savings, Investment, Youth, income.

Introduction: As per Economics, **Savings** is a desire to reserve certain portion of income for future needs. In the recent findings it has been found that saving rate for household is affected not only by their ability to save but also their willingness to save. **Investment** is "saving", to be used by another party for productive activity. It can be in the form of an advance or loan or contributing to the ownership capital or debt capital of a corporate or non-corporate business unit. Generalized, investment means conversion of cash or money into a monetary asset or a claim on future money for a return. In the last few years it is evident that middle class Indians have paid attention only to their work for the entire duration. But it is tragical that only at the time of retirement they consult friends and relatives for investment for their future. Few years before there were only limited a number of options for investments like bank deposits and post office schemes. Only few percentages of rich and adventurous Indians have knowledge about Stock market and Securities. Now, the modern investment trend has a different scenario, various options of investment and best return for the investors. This would bring into light the awareness of investment patterns.

Review of Literature

A survey on "Indian Investors" was conducted by Securities and Exchange Board of India (SEBI) and NCAER way back in 2000. The survey revealed that most of the Indian investors prefers safe investment avenues i.e. while choosing the avenues for investing, investors mainly consider safety and liquidity as important factors. From the results of the survey, different investment avenues were ranked in order of safety and liquidity according to the preferences of the investors:

First of all, Bank deposits, in bank were considered very safe, followed by gold, units of UTI, fixed deposits of non-government corporations, mutual funds, equity shares, and lastly, debentures. Bank deposits is demanded across all income groups, and tax-saving schemes were preferred by middle-income and higher-income groups. The survey also revealed that income levels also play an important role while making investment decisions.

In 2006, A study was conducted by Avinash Kumar Singh for studying the Investment Pattern of the individuals in Bangalore and Bhubaneswar and also, pattern of the investment in both the cities were compared. From the study, it was discovered that the investors of Bangalore were more aware of the investment, investment avenues, risk and return associated with different avenues and are risk takers as compared to the investors of Bhubaneswar who were risk averse, not aware much about different investment avenues, risk and return associated with different avenues. Investors of Bangalore prefers to invest in shares, mutual funds and other risky avenues but, the investors of Bhubaneswar prefer to invest mainly in less risky Avenues.

Bank deposits, Fixed deposits, Post office savings etc. A comparison was made between investors of both the cities. In 2011, Dr. N. Ramesh and N. Geetha conducted a study named "A Study on Investor's preferences towards investment in Kurumbalur area of Tamil Nadu". For conducting the research, the data was collected from 210 respondents of Kurumbalur town and data was collected using questionnaire. It was found out that Investors of all age groups prefers to invest in Insurance, National Savings Certificates, PPF and bank deposits. Also, income of the individuals is considered as an important factor which affect investment decisions & in selecting particular investment avenue.

Funfgeld and Wang(2009) conducted a study on the financial attitude and Behavior of German speaking part of Switzerland on daily financial affairs. The results show that there are five underlying dimensions on financial attitudes and behavior, which are anxiety, interests in financial issues, decision styles, need for precautionary savings and spending tendency. Moreover, gender, age, and education were found to have significant impacts. Graham et al. (2009) have recognized that perceived expertise leads to overconfidence among investors regarding investing their hard-earned money.

Research Gap There are not many studies conducted and available related to the studying the current scenario of investments and investing pattern of the Indian investors. Most of the studies are based on secondary data which sometimes does not provide adequate results.

So present study is intended to study the investing patterns and preference of investors. Objectives of the study:

- To understand the pattern of investors at the time of investing.
- To analyze the best avenues available for investment in current scenario.
- To find out the factors that investors consider before investment.

Scope of the study.

The study will attempt to study the saving & investing pattern and behavior of Indian investors and will help in identifying the factors which investors consider while making investment decisions in Pune City.

India's demographic profile of savers and investors

The proportion of India's youth population (*United Nations' definition of youth is people from 15 to 24 years of age*) has increased steadily from 16.7% in 1961 to 18.12% in 2011. This phenomenal rise in the youth population has made India the youngest nation with a demographic dividend appearing to be a reality. The most important step in any long term investment plan is to start investing early. The youth should inculcate a habit of saving. Pune being an important education and financial hub in the country provides ample scope for both studying and working. Looking into the pattern of investment in studying youth is a way of looking at the potential pattern of the same youth a few years down the line when they have ceased to educate themselves further and have flung themselves wholly into work later.

Methodology

Primary data collection involved a structured questionnaire with limited and focused questions covering questions regarding the saving/investment behavior amongst students. The questionnaire addressed areas such as how much (approximately) of the income is saved, whether it is put into traditional modes of savings or new using new avenues. Around 82% of the contacted base (250 respondents) shared information are sufficient for inclusion in the study sample.

Questionnaire Format:

Saving & Investment pattern of youth in Pune

- Name: _____ Age: _____ Gender: _____
- College/Institution/company: _____ Occupation/Job title: _____
1. Annual Personal Income(approximately)
 2. Educational Qualification: B.A/B.Sc./B.com/Engg./Others
 3. Do you Save/Invest from earning: Yes/ No.
 4. How much of your income do you save/invest: upto 20%/20 -40%/40-60%/>60%.
 5. Purpose of Saving/Investment: Higher education/ marriage/ Better future/others
 6. Are you aware of Capital Market: Yes/No.
 7. What is your investment preference: Equity Shares/Mutual fund/Insurance/Debentures/Bonds/Bank deposit/Post-office deposit.
 8. Which are your sources of information for savings/investment: Brokers or agents/TV Channels/News Papers or journals/Family- friends/Internet.
 9. What factors do you consider for selecting investment options: Risk/Return/stability/Tax saving.
 10. What is the time horizon of your investment: upto one year/1-3 year/3-5 year/>5 years.

Justification

To collect personal views and ideas.

To collect specific opinion & ideas about the issue.

Sampling method

Convenience sampling Data from respondents are collected in digital/physical form from the respondents.

Universe and Sample size

The geographical territory is restricted to the students studying in colleges or working in Pune district in Maharashtra.

Methods of Analysis

The information generated during data collection was both qualitative and quantitative. The qualitative data was coded and tables were generated for analysis. The quantitative data on the other hand was categorized after lists of individual responses were compiled.

Limitation

This study focuses on a very small subset of the youth in India and is limited to the city of Pune. The study is restricted to the survey of college going students/job goers youth in the city of Pune.

ANALYSIS OF DATA

In the survey, the term Savings or Investment are used in similar contexts as savings mean financial savings and investments stand for investments in financial assets. There is a slightly greater focus on investment as it diverges a bit from the former, i.e. the study has tried to observe how students/youth put their savings into newer vehicles like Shares, Mutual Funds, etc. and Bank Deposits.

Investor Profile:

An investor profile or style defines an individual's preferences in investment decisions, for example:

1. Time period for which investment is held (Long-term or Short-term).
2. Appetite for Risk.
3. Amount of diversity (if one invests in all kinds of investments or just one)
4. Value stock, growth stocks, quality stocks, defensive or cyclical stocks.
5. Self-managed or through an investment fund, etc.

5. Determinants of an Investor Profile

The style or profile of an investor is determined by:

Objective traits like:

1. Investor's own income.
2. Family Income.
3. Age.

Saving / Investment pattern of the respondents

The total sample data collected was 205.

From the above it is observed that 76.5% of the respondents saved or invested their money. The percentage of female respondents (81%) saved more than the males (72%). Out of the ones who saved or invested, 37% said they put roughly up to 20% of their income into savings or investment, the figure was 31% for savings between 20%-40% while 16% saved or invested between half and three-fourth of their income and only 9% claimed to save more than 75% of their income .

Investment Vehicles

Bank deposits were the most opted investment vehicle followed by Equity shares and Mutual Funds. These three accounted for most of the share of the data Post office savings got a lower share, maybe because the respondents were youngsters and such schemes do not have much hold on them.

Distribution of Investment portfolio

Investment Vehicles	Proportion of respondents
Bank deposits	70% Mutual Fund
45% Equity Share	43%
Insurance	29%
Debentures/ Bonds	11% Post Office Savings
18%	

Within the alternatives, among those who said they invested in Mutual Funds, SIP's and Growth plans were the most popular. In Equity Shares most opted for the Cash option.

The study reveals an interesting gender difference with respect to preferences of investment vehicles. According to the survey, females seemed to prefer the more traditional and relatively safer modes of saving / investment over more risky and comparatively unconventional modes. 42.71 % of the female respondents said that they preferred to put their money in bank deposits. While bank deposits were the most preferred

vehicle for males as well, they constituted a much larger share for women. Even in regard to Post Office Savings, 16.11% of the female respondents preferred them – much higher than the corresponding figure for their male counterparts which stood at only 5.89%. Mutual Funds were the second most preferred vehicle for females with 22.86% respondents preferring them but only 13.95% of them said they preferred Equity Shares. While only 6.76% of the females preferred Debentures or Bonds, the number was still slightly higher than the 5.44% in case of males.

The data points out that females seem to prefer safer and less-risky investment (the slightly higher number than males in case of Debentures also seems to support a greater inclination towards safer allocation).

Determinants in choice of investment option

Respondents liked to keep multiple options while choosing their investment options. However, Returns on investment were obviously the most considered factor followed by risk. Female respondents had better stability in their mind while picking up an investment option.

Time-Frame

When asked for the time-frame they have in mind while investing, as against perceived notions of young investors looking for short term gains, only about 4% of the respondents traded on an intra-day basis. Most respondents were considering investing for a longer time period.

Risk Pattern of the Investors:

Around 49% of the male respondents said they preferred a higher-return earning investment even if it involved a higher risk which in case was only 32% for female respondents. This finding is also in sync with the traditional modes of investment that female respondents invested in. A higher percentage of female respondents liked to invest in low risk low return investment options accentuating the fact that women are risk averse.

Insurance

The survey also asked if respondents had a life insurance policy because while it is not exactly the kind of investment an Equity Share or a Debenture is, it is nonetheless seen to be frequently held by individuals and new options like ULIP's etc. which are more market- oriented have emerged.

When asked about their preferences regarding insurance, a large number said they had a Life Insurance Policy (about 85%). Very few however ticked options like ULIP's Endowment, or Pension Plans.

Source of Information / influence

It is assumed that when an individual invests he must have some base information to work on (to keep as much of speculation out of the investment as possible). the distribution of information source. 59% of the respondents had multiple sources of gathering information with respect to their investment. However, the most popular source of information / influence were family and friends followed by mass media, like Newspapers, Journals etc. and Television. Brokers were understandably the least influencing source of information since earlier data pointed to an inclination towards Bank Deposits and Mutual Funds more than Equity Shares. 50% of the respondents stated that brokers have had no influence on their investment decisions while another significant 39% of the respondents did consult brokers but took their investment decisions independently.

Other factors in deciding pattern

About 60% students said they rely occasionally on the investing pattern of peers and take their advice to decide their own. Only 19.6% said they largely borrow from their friends in the matter of how and where to invest.

CONCLUSIONS AND RECOMMENDATIONS

The economy is growing, the job market has been doing well and there has been a rise in the graph for salaries. The new generation of youth in India will have money in its pockets and ample opportunity to put it to good use, if they can shift from the traditional bank account savings to the capital market. They understand the importance and benefits of investing and know how they want to use their money now and in the future. They need lucrative options to put their money in for days to come but are understandably afraid or confused due to lack of practical understanding.

Conservative saving options like post office schemes and fixed deposits are now passé. Options like post office schemes and fixed deposits are not very popular with the youth as the rate of interest on them is lower as compared to other investment options available. But somehow savings accounts are still seen widely. Safety and security which were always important reasons for investment are still influential in determining the direction of investment. With money in hand and age on their side, the young investors are becoming more inclined towards taking risk. Fixed deposits are not a very attractive investment option for youngsters these days. Tax saving is one of the reasons behind investment by the youth. Traditional saving schemes do not provide any tax benefits and are, therefore, keeping the youngsters away from them. There is exemption for capital gains arising out of Equity Shares and Equity Oriented Mutual Fund units subject to certain conditions under the Income Tax Act.

Mutual fund has gained the favor of the youngsters today. Investment in mutual funds through the Systematic Investment Plan (SIP) is a favored investment option for the youngsters. This is especially true of the young salaried class which has just started earning and does not have a fat bank balance as yet. In case of Systematic Investment Plans, instead of bulk payment, a small amount is to be paid every month. This makes them very popular with the salaried class who find it difficult to shell out a large amount at one-go. Mutual Funds also have the benefit of requiring lesser financial competence as they are managed by experts while providing higher returns and better prospects than Bank Accounts. Other traditional investment options like the Fixed Deposit or the Post Office schemes (PPF/ NSC / NSS/ KVP/IVP) are losing their way due to blocking of funds and lower returns. Gold is still preferred to some extent especially when it comes to females. Youngsters, today are aware of what is happening around them and are intelligent enough to decide what is best for them. Every option is considered and the pros and cons of each weighed carefully before the decision to invest the hard-earned money is taken. Youth of today do know about the options available to them due to the rapid spread of information in recent times. In accordance with their lifestyle – seminars and workshops are no longer the kind of options to peruse. Podcasts, online videos, forums and tutorials are the way of learning of the young generation. The social media platforms specially Face Book, Twitter, LinkedIn along with e- groups and websites can be a medium to spread awareness about various options available for the young investors. Thus, investor education can play a vital role in improving the active participation of the investors in the market, which can help them in the informed investment and in getting good returns. All Media too can highlight young investors through newspaper columns, TV etc. which would encourage more participation in the capital market from the young generation.

Finally to conclude, the following advice given by warren buffet” **Do not save what is left after spending but spend what is left after saving**” is notable & worthy for all.

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