STUDY ON THE INFLUENCE OF QUALIFICATION ON INVESTMENT BEHAVIOR OF CONSUMERS

By: - Sakshi Agrawal and Shweta Chaube

Abstract

The increasing expenses are a concern for majority of the Indians. It thus becomes very necessary that people react to these changes and come up with the best deals for themselves so that they can secure their future and yield the benefit afterwards. We here undertake the research to find out the factors which influence the consumer to invest in an investment instrument. We even tried to figure out that qualification becomes important to make investments and therefore a qualified person will study the market, and come up with the best investing instruments for themselves.

INTRODUCTION

The increasing expenses have led to the necessity to save a certain proportion of income which is essential so that it helps the person at the time of his/her financial need. It is very important that consumers are well informed about where they are investing their money and what benefits they will for their investment [investment to be described in simple words is investing money into some instrument which will lead to profits (surplus)].

To go into the depth of understanding the term investment it is the sacrifice of certain present value for the uncertain future reward. The basic idea behind investment is to utilize the surplus money in favorable plans so that the money will be rolled back as well as it will give returns also.

It becomes even important for the consumers to foresee and able to foresee what a particular investment instrument like equity, government bonds etc. will yield them in the future and they should come up with strong reasons to investment in the particular instrument. When a common men thinks about investment he will never go for any risky plan. Some persons can take interest in risky investment plans.

It is very often seen that customers take the decisions themselves or they take the help of a financial adviser like Certified Financial Planner (CFP) or stock broker for equity etc. It is better on the part of consumers to go into a detail analysis of what instrument they are focusing on and what they plan to invest in.

The growing concern in the area of return on investment is again important to look within. Because interest rates greatly influences the customer investment behavior.

It becomes very important on the part of the customer to have an insight of how the money which they invest is used upon and circulated on how they get the returns on a contrary they should be well versed with the rough knowledge about how the whole process happens, this may help them to avoid any fault before they actually invest anywhere.

The purpose of this research paper is to throw a light on how does the consumer takes his/her investment decision, what are the grounds under which we can judge the consumer behavior towards a specific instrument.

The most important aspect which we take into consideration is the qualification of the consumer. Because we do believe that the qualification of an individual has an impact on his/her investment behavior. In the growing concern towards the return on investment we toggle between how the qualification and return on investment on a particular instrument are related to each other.

We tend to come up with analysis on how different qualifications tend to persuade different investment.

Also the basic objective of this research paper is to identify why and how an individual decides for investment? The present scenario of investment in share market is highly unpredictable. In this situation the systematic and careful study before investment is very necessary.
Because researchers are coming up with notable examples where they have find out that certain investment instruments which were considered to be dead have yielded better returns for the consumers.

This specifies that the market needs to be studied with the utmost care and that you need to come with the best proposals and best advices and best instruments to be invested and that you should keep in mind what a particular investment might change up into the future.

Taking a broader look at the scenario we may come up with the approach that the higher the qualification or literacy level of an individual more chances are that he/she may come up with analyzing the financial market and then making a decision.

Need not that the opposite may be the truth but to some extent we can be with this approach. To the contrary the experienced people who are hardly qualified or hold a degree do generate better returns.

But to summarize it we can definitely be with the approach that qualification has become very important for the people to increase their profits and come with the best deals.

Also the professionals who help the customers to make investments need to have a complete knowledge and are therefore qualified enough to led the customers believe on their decisions and come with the best deal for their customers which ultimately specifies that qualification thus plays and important role in influencing the consumers behavior regarding investments.

And I believe that risk which is naturally associated with the investment should be minimized to a great extent it cannot be completely ignored but still the professionals should try to minimize it. No individual wants to suffer risk and therefore it becomes the tedious task for the professional to try and eliminate it to the extent possible!
**RESEARCH OBJECTIVE**

Research objective summarizes what is to be achieved by the study.

When we had a look at the investments in the current scenario we came up with an approach to find out what are the factors that people usually refer to when they take a big decision of making an investment.

The behavior of each and every individuals differs according to their beliefs of the particular investment instrument be it mutual funds, government securities, public provident fund, SIP and etc. what we came on a broad conclusion rather a summary was that the qualification of an individual plays a very important and a specific role in making an investment.

In the unexpected environment with so much of market turns and twists and so much of change in the government policies.

It is very important that we analyze what is the best, the answers may be on assumptions but they have to be analyzed and then the customers should make the decision for investment.

The research tries and covers the core points demonstrating the essentials of qualification for taking the investment decision and how does educational background leaves a background on people and how does this influences the decision making process of an individual.

We have tried to position qualification with the investment behavior of the consumers and what are the classification under qualification in which people select the particular investment and what area they invest in, from whom they try and invest and if they take the help of some professional advisors before investing in a particular instrument.
LITERATURE REVIEW

Investment is the most important decision which is taken widely by a large mass. It is of the utmost importance since it is in respect to the future aspects of what a particular investment will yield the result in the future. In the ongoing changes with the financial market it is even more important that a careful analysis is carried out so that the money which the consumer will invest yields the best return for him/her.

Although many of our successors have come up with brilliant and fascinating researches which can help here we have tried to list down a few of them arguing in the matter of finance its impact and how does qualification actually impacts investments. To list down a few we have come up with some abstracts of the researchers across the world who presents their view.

As said by Bulsara, Desai, Miniaoui Investment is the employment of fund on assets with the aim of earning income or capital appreciation. Investments have become a basic necessity for everyone. In India there is a rapid growth in investment. This is why an understanding of consumer demeanor for financial investment is vital to the success of the business. The review paper covers the various financial avenues like equity/stocks, bank fixed deposits, kisan vikas patra, national savings certificate, life insurance, mutual fund and discusses the factors influencing investment decision process. The prime factors affecting the financial investment behavior are demographic factors and socio-economic factors. They can further be segregated as age, income, qualification, gender, social class, family income, tax benefits, safety of fund, brand perception, risk appetite, past performance, return on investment.

Therefore if we go into the study of this it explains that investment behavior is influenced because of the environmental factors prevailing in and around the individual. Its highly influenced by what the relatives and friends of the particular individual is up to.

As said by Stern the article discusses the factors influencing pro environmental consumer behaviors and the policy implications of knowledge about these influences. It presents a conceptual framework that emphasizes the determining roles of both personal and contextual factors and especially of their interactions. The practical usefulness of the framework is illustrated by evidence of the interactive effects of information and material incentives – typical interventions in the personal and contextual domains, respectively. The author concludes that incentives and information have different functions, so that efforts focused on only one are sometimes misplaced; however, properly deployed, they can have synergistic effects on behavior. Some policy conclusions are drawn for consumer and environmental policy.

And this article explains that the investments decisions are highly influenced by their surroundings and what the consumers gets in return of what does it invests.

As said by Nair Gustavsson and mahapatra The data from a survey conducted in 2008 of 3,000 owners of detached houses to analyse the factors that influence the adoption of investment measures to improve the energy efficiency of their buildings. For the majority of Swedish homeowners, it was important to reduce their household energy use, and most of them undertook no-cost measures as compared to investment measures. Personal attributes such as income, education, age and contextual factors, including age of the house, thermal discomfort, past investment, and perceived energy cost, influence homeowners’ preference for a particular type of energy efficiency measure. The implications for promoting the implementation of energy efficiency investment measures are discussed.

Although of the track this articles says that how the investment factors is important for anything may be it for the energy influencing in the apartments how they found out that different factors like age, education can influence their decisions for investments.
RESEARCH METHODOLOGY

Research Methodology is with reference to how the research has been carried out and how the information has been collected.

It reveals the way the research has been conducted and by what means the data is collected. In this research, we have used a questionnaire method where we tried our best to list down all the questions related to our topic which are important to make our research successfully.

We used the internet medium where people could fill up the survey at any point of time they are comfortable with. We tried and kept our questions to the point and with keeping into consideration the core topic. Here we have taken a sample of the population i.e. 350 people on whole and tried to gather their information.

We have tried to get how they do investment what is the factor that triggers them to invest in a particular instrument like gold public provident fund etc. we tried to gather the information related to how do the person invests on his own or from some financial advisor.

We than went onto different sites as to see what the former researchers have already achieved in their research and how did they carried on their research what methods have they used and on what parameters they have concluded their research.

We then collected all the responses of the people at a place and summed them up and came up with different behaving patterns of the consumers and how do they behave in a particular scenario of the financial market. We then tried getting their mindset with our questions as to what they think of a particular instrument while investing and what are their reasons to invest in any instrument.

Primary research becomes important because it gives you the first hand data without any bias and prejudices therefore information collected is real and accurate. Therefore questionnaire method has been used so that the respondents themselves complete the survey and give the real information.

We have therefore used Proportions tests Chi-square test to figure out our research

PROPOSED HYPOTHESIS

1. More than 15% of people who are professionals invest in mutual fund for tax benefit
2. Selection of FDs in a low interest rate environment is NOT independent of qualification
3. Less than 35% of respondents investing between Rs.50,000-Rs.1,00,000 in insurance are commerce graduates
4. Selection of savings instruments in a low interest rate environment is NOT independent of qualification.
5. Less than 25% of people who are masters invest in mutual fund as they consider it simple investing instrument
6. Less than 30% engineers invest in public provident fund between Rs50,000-Rs1,00,000
7. Investment decision of commerce graduates are not dependent of others help
HYPOTHESIS 1: TEST OF PROPORTIONS

H₀ : Less than 15% of people who are professionals invest in mutual fund for tax benefit.
Hₐ : More than 15% of people who are professionals invest in mutual fund for tax benefit.

H₀ : p < 10%
Hₐ : p > 10%
Right tailed test
Test of proportion
Alpha = 0.10
Probability = 0.90
Critical = 1.28
Calculating the observed value
x = 26
n = 129
p' = 20%
p = 15%
q = 85%
p' - p = 5%
p.q = 0.1275
\[ \sqrt{\frac{p.q}{n}} = 0.03 \]
\[ p' - p = 1.64 \]
\[ \sqrt{\frac{p.q}{n}} \]
p-value = 0.1
Alpha = 0.10
p < a, p-value is less than Alpha
We reject the null

OBSERVATION:
We reject the Null. Therefore we can say that, More than 15% of people who are professionals invest in mutual fund for tax benefit.

INSIGHTS:
What we observe is that tax benefit is the most important issue for the person investing in the particular investment therefore it becomes important that due consideration is given to each and every instrument and the best is selected.
HYPOTHESIS 2: CHI-SQUARED TEST

<table>
<thead>
<tr>
<th>Observed</th>
<th>Expected</th>
<th>(fo-fe)</th>
<th>(fo-fe)^2</th>
<th>(fo-fe)^2/fe</th>
</tr>
</thead>
<tbody>
<tr>
<td>110</td>
<td>52</td>
<td>58</td>
<td>3364</td>
<td>64.69</td>
</tr>
<tr>
<td>41</td>
<td>52</td>
<td>-11</td>
<td>121</td>
<td>2.33</td>
</tr>
<tr>
<td>60</td>
<td>52</td>
<td>8</td>
<td>64</td>
<td>1.23</td>
</tr>
<tr>
<td>46</td>
<td>52</td>
<td>-6</td>
<td>36</td>
<td>0.69</td>
</tr>
<tr>
<td>51</td>
<td>52</td>
<td>-1</td>
<td>1</td>
<td>0.02</td>
</tr>
<tr>
<td>5</td>
<td>52</td>
<td>-47</td>
<td>2209</td>
<td>42.48</td>
</tr>
</tbody>
</table>

Average 52

Observed: 111.44

Chi square test

Right tail
Alpha = 0.1
Probability = 0.1
Critical = 9.24

Observed = 111.44

P-value = 0.00
Alpha = 0.1
P < a, p-value is less than alpha
We reject the null

OBSERVATION:

We reject the Null. Therefore we can say that, Selection of FDs in a low interest rate environment is NOT Independent of qualification

INSIGHTS:

We can say so because fixed deposits are the most secured investments a person wishes to make because it results low but safe returns therefore it is necessary that a person has to be qualified to invest in FD's he should be experienced enough to know the workings of FD's and invest in them specially when the market is suffering crisis then at the very moment it is important that a safe investment is made and money generates a good return. And therefore people would definitely go for Fixed Deposits
HYPOTHESIS 3: TEST FOR PROPORTIONS

Ho: More than 35% of respondents investing between Rs.50,000-Rs.1,00,000 in insurance are commerce graduates
Ha: Less than 35% of respondents investing between Rs.50,000-Rs.1,00,000 in insurance are commerce graduates

H_0 : p > 35%
H_a : p < 35%
Left tailed test
P-test
Alpha = 0.1
Probability = 0.1
Critical = (1.28)
Calculating the observed value
x = 29
n = 97
p' = 30%
p = 35%
q = 65%
p'-p = -5%
p.q = 0.23
sqrt(p.q/n) = 0.05
p'-p = (1.05)
sqrt(p.q/n)
p-value = 0.15
Alpha = 0.1
P > A, p-value is greater than alpha
We fail to reject the null

OBSERVATIONS:
We fail to reject the Null. Therefore we can say that, Less than 35% of respondents investing between Rs.50,000-Rs.1,00,000 in insurance are commerce graduates.

INSIGHTS:
Commerce graduates are the people having some sort of experience in the field of financial market. Insurance is therefore of a great help to the commerce people because it can help them to reduce their tax burden also that it can help them with future benefits and thus people can apply in any number of insurance available.
**HYPOTHESIS 4: CHI-SQUARED TEST**

**Ho:** Selection of savings instruments in a low interest rate environment is independent of qualification

**Ha:** Selection of savings instruments in a low interest rate environment is NOT independent of qualification

---

Chi-Square Test
Right Tail Test

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>0.1</td>
</tr>
<tr>
<td>Probability</td>
<td>0.1</td>
</tr>
<tr>
<td>Critical</td>
<td>9.24</td>
</tr>
<tr>
<td>Observed</td>
<td>98.73</td>
</tr>
</tbody>
</table>

P-value = 0.00

Alpha = 0.1
P < A, p-value is less than Alpha
We Reject the Null

---

**OBSERVATIONS:**

We Reject the Null. Therefore we can say that, Selection of savings instruments in a low interest rate environment is NOT independent of qualification.

**INSIGHTS:**

We believe so because it becomes necessary for a person to be qualified because then only he will know what are the best instruments he can invest into and what will yield him the best returns in the future. He will be able to analyze the current market trend and he may even know what the introduction of any policy may have on the profits. He/she may be able to even foresee the risk associated with the instruments and how he/she can minimize them and yield better returns.
HYPOTHESIS 5: CHI-SQUARED TEST

<table>
<thead>
<tr>
<th>Ho:</th>
<th>More than 25% of people who are masters invest in mutual fund as they consider it simple investing instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha:</td>
<td>Less than 25% of people who are masters invest in mutual fund as they consider it simple investing instrument</td>
</tr>
</tbody>
</table>

\[ H_o : p > 25\% \]
\[ H_a : p < 25\% \]
Left Tailed Test
Test for proportion
Alpha = 0.1
Probability = 0.1
Critical = 1.28
Calculating the observed value
\[ x = 22 \]
\[ n = 111 \]
\[ p' = 20\% \]
\[ P = 25\% \]
\[ q = 75\% \]
\[ p' - p = -5\% \]
\[ p.q = 0.19 \]
\[ \sqrt{p.q/n} = 0.04 \]
\[ p' - p = (1.26) \]
\[ \sqrt{p.q/n} \]
\[ p-value = 0.10 \]
\[ \text{Alpha} = 0.1 \]
\[ P > A \]
We fail to reject the null

OBSERVATIONS:
We fail to reject the Null. Therefore we can say that, More than 25% of people who are masters invest in mutual fund as they consider it simple investing instrument

INSIGHTS:
Mutual funds are subject to high risk often in the financial market the risk factor yields the best result be it in any form therefore masters or we may categorize them as the professionals working and having a sound experience of the market trend they invest in mutual fund because they find it easy to invest and easy to withdraw scheme. Mutual funds are of a great benefit if they can be analyzed properly and invested in the right time. Therefore masters find it easy and simple to invest their money in it.
HYPOTHESIS 6: TEST FOR PROPORTION

\[ H_0: \text{More than 30\% engineers invest in public provident fund between Rs50,000-Rs1,00,000} \]
\[ H_a: \text{Less than 30\% engineers invest in public provident fund between Rs50,000-Rs1,00,000} \]

\( H_o : p > 30 \)
\( H_a : p < 30 \)
left tailed test
p-test
Alpha = 0.1
Probability = 0.1
Critical = (1.28)
Observed =
\[ x = 16 \]
\[ n = 69 \]
\[ p' = 23\% \]
\[ p = 30\% \]
\[ q = 70\% \]
\[ p' - p = -7\% \]
\[ p.q = 0.21 \]
\[ \sqrt{p.q/n} = 0.06 \]
\[ p' - p = (1.23) \]
\[ \sqrt{p.q/n} \]
\[ p-value = 0.11 \]
Alpha = 0.10
P > A, p-value is greater than Alpha
We fail to reject the null

OBSERVATIONS:
We fail to reject the Null. Therefore we can say that, More than 30\% engineers invest in public provident fund between Rs50,000-Rs1,00,000

INSIGHTS:
We see that a large amount of earnings are invested in public provident fund because they are considered to be the simple and therefore engineers find it easy to invest and have the benefits also that they are secure enough and when the money is blocked in such an instrument it becomes easier for the engineers to gain profits in the long run
HYPOTHESIS 7: CHI-SQUARED TEST

<table>
<thead>
<tr>
<th>Ho:</th>
<th>Investment decision of commerce graduates are dependent of others help</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ha:</td>
<td>Investment decision of commerce graduates are not dependent of others help</td>
</tr>
</tbody>
</table>

Chi square test = 
Right tail test = 
Alpha = 
Probability = 0.1
Critical = 7.78
Observed = 34.95
P-value = 0.00
Alpha = 0.1
P < A, P-value is less than Alpha
We reject the null

OBSERVATION:

We reject the Null. Therefore we can say that, Investment decision of commerce graduates are not dependent of others help

INSIGHTS:

Through the observations what we observe is that most of the people who are qualified can take their investment decisions on their own and don’t need help. They can analyze what are the returns on their instruments and therefore make the required investments.
DEMOGRAPHIC DETAILS:

**Gender**
- Male: 71%
- Female: 29%

**Age**
- 25-30: 50%
- 30-40: 21%
- 40-50: 17%
- 50-60: 10%
- Above 60: 2%

**Years of Work Experience**
- 0-5 Years: 48%
- 5-10 Years: 23%
- 10-15 Years: 8%
- More than 15 Years: 21%

**Marital Status**
- Single: 45%
- Married: 55%

**Family Type**
- Nuclear: 51%
- Joint Family: 44%
- Living alone: 5%

**Annual Income**
- Less than 3 lacs: 33%
- 3-5 lacs: 33%
- 5-8 lacs: 18%
- 8-10 lacs: 6%
- More than 10 Lacs: 10%
- Less than 3 lacs: 33%
- 3-5 lacs: 33%
- 5-8 lacs: 18%
- 8-10 lacs: 6%
- More than 10 Lacs: 10%
CONCLUSION

To conclude a thesis becomes a very demanding task because it involves to be completely judgmental and to avoid any prejudices to avoid all the preconceived notions about the responses and the research itself.

In this research on “influence of investment behavior on the customers”. We have tried to link the qualification of the people with their investment behavior pattern which reveals that it becomes important that the person is qualified to take an investment decision also he/she may appoint financial advisor who may come up with the research and provide them with the best advices to invest and generate higher profits.

We found out that mutual funds are the best options for qualified people to have tax benefit and that the people find it to be extremely easy for investing and they do more investment. It is very true to the extent of our responses because they generate a good return for people. What we believed now after research is that in low interest rate environment the fixed deposit is the best option to invest to let the money be secure.

And therefore most people invest in them. Mutual funds are the most invested instruments in the financial markets by the commerce graduates. What we can conclude to the extent of our survey is that in a low interest rate environment it becomes important that a qualified person invests in the best instrument and therefore he has to carry research for that and specially in the current scenario where financial markets is facing many ups and downs it becomes essential to analyze. Public Provident Fund can be the most invested instrument in the financial sector.

We can even try to conclude that the financial decisions of the commerce people are independent of any influence because they get to research for the instrument so that they can work for it and select what is the best for them.
LIMITATIONS OF RESEARCH

It is difficult to estimate that is the information given by the respondents is real and accurate. Is the researcher finding the information himself/herself or he is actually spreading it over the masses.

It becomes even essentials that the findings are not repetitive and not replicated of the previous researchers. The information has to be new. It has to be collected by the researcher and he should do the research himself.

The research cannot be based on the personal experience or personal bias of the researcher he should do the research without any pre-thought in the mind. Because the research will be used by other people and it will lead to wrong outcomes for them.

Research is completely based on assumptions and therefore it is completely reliable therefore certain percent of assumptions have to be made.

It is even not possible for the respondent to go everywhere and get the information, and if questionnaire method is used it becomes even difficult because it may be possible that the respondent must have not understood the question and may have given a vague answer.

In this research we have found out that the many of our respondents have let the questionnaire black and not answered all, therefore we had to assume the things which has resulted in to getting us more towards unsure testing’s.

Many of the respondents have not given true responses to our expectations of getting the answers. Which has lead us to go on complete assumptions. Also the respondents must have not given right answers or may have found it against their values to give out their personal information and share it with us this has in turn lead us to conclude different assumptions to different testing’s and has varied our result.
6. https://fnce.wharton.upenn.edu/research-listing/