STUDY ON INFLUENCE OF ANNUAL INCOME ON INVESTMENT BEHAVIOUR OF CONSUMER.

By:-Nakul Mehra ,
Heet Jakharia.

Abstract
With the improvements in the technology and exposure of different perspectives it has enabled us to come across many different types of saving instruments and we can come with different options and analyse them so that we make great profits in the future. It has become more of a concern because the market has become highly unpredictable and therefore it’s important to analyse that which instrument will be beneficial in the future. Therefore we have undertaken this research to find out that how the influence of annual income on investment behaviour of consumer.

Introduction
The growth of any economy depends on the investments made within that economy. People of the country derive their annual income from different sources such as: salaries, income from business or profession, rental income from properties, interest and dividends from investments. Total Income of people varies from place to place. In metro cities people can earn higher income than that of rural inhabitants. Saving of persons depends upon source of income and amount expended for family survival medical expenses education expenses and touring expenses. People saves their money in different financial instruments like: bank fds, mutual funds, shares and securities and real estate. Saving of persons depends upon standard of living. Young citizens are not habitual of making saving were else persons of 50 years and above would like to save money for future. Urban citizens would invest in Lic, Ppf and annuity funds to get their benefits at old age. An investor is a person who sacrifices the present in order to reap the benefits for the future. The benefits may be in the form of capital appreciation, income in the form of dividends, bonus, retirement benefits & many other benefits. Generally an investor's objectives would be one among the following.

To minimize the risk
To maximize the returns
To hedge against inflation
Liquidity
**Types of Investments:**

- Equity shares
- Preference shares
- Debentures
- Bonds
- KVP
- Government securities
- Money market securities
- Treasury Bills
- Commercial Papers

**Research Objective:**

Objectives of the Study
The major objective of this study is to analyze the behaviour of consumers towards investments options, along with the following sub objectives:
To study about the causes affecting the choice of investors.
To learn about the awareness of the consumers regarding investment products.

**To minimize the risk:**
Minimize risk on investment can be done through diversification this is the best way to reduce your risk by spreading your investments across a variety of assets. This means investing in stocks, bonds, sip, mutual funds, fds etc.

**Invest over a long time:**
You can get a better return on your investment when your money is invested over a long time. Time is one of the most important factors that will help to reduce equity investment risks. Investment over a longer time will return huge profit.

**Invest less:**
Investors have the option to invest smaller amounts and monitoring the return on that investment. Investors should invest small amount of money over a long period of time it will give higher return made by investors. The investors should observe and monitory the rate of return which can be earned on various investments.

**Take advice from an expert:**
The investors shall take advice from experts or C.A. regarding investments they can advice on nature of investments, return on investments, tax benefits, risk involved in investments.
You can get their advice for free or by paying them, they offer various investments options depending on your financial goals.

**Choosing a company:**
Investors shall monitor the performance of the company. We shall learn about their periodic returns filled, minutes held by company changes in management of company dividend declared by company etc.

**To maximize the return:**
to maximize return on investments the investors shall invest in various financial instruments, partly on short term basis and partly on long term basis, should select various type of investments like :shares, bonds, mutual funds, sip, ppf, insurance, investments in immovable property etc.

**To hedge against inflation:**
Certain investments may look like a decent return, but due to inflation they can actually be sold at a loss. For example if you invest in a stock that gives a 5% return, but inflation is 6%, you are actually losing buying power. Gold is widely considered an inflationary hedge.

**Liquidity:**
While making investments we should wisely look at the liquid cash and bank balances we shall keep sufficient cash on hand to meet our regular and day to day expenses of personal and business nature we shall not have much more cash and bank balances because liquid cash will not earn any return so each and every investors shall keep necessary liquid assets.

The benefits may be in the form of capital appreciation, income in the form of dividends, bonus, retirement benefits & many other benefits.

**LITERATURE REVIEW:**

As per Brahma Bhatt, P.S Raghu Kumari, and Dr. Shamira Malekar investor behaviour on investment avenues in Mumbai Fenil was undertaken. In this study they analyzed the investor behaviour and their preferences. The objectives for their study was to understand about various investment avenues available in the market, to understand the pattern of investors while making the investments, & to find out the factors that investors consider before investing. Through their study it was revealed that people like to invest in stock market. The percentages of income they make as investment depend on their annual income.

As per N.Geetha & Dr M.Ramesh study on people's preference in investment behaviour was made the objectives were to analyse the factor that influence investment behaviour of the people & to study the attitude of the respondents towards different investment choices. In this study they concluded that the respondents were medium aware of the available investment choices, but they were not aware of the stock market, equity & debentures. The study has been concluded that the income level of the respondents affects the portfolio of the respondents.

As per Dr.Saritabahl conducted study on Investment behaviour of working women of Punjab. The purpose of the analysis was to study the investor behaviour & investor preference. The objectives of the study were to study the investment behaviour among the working women in Punjab & to know the level of agreement of working women of Punjab on various aspects of investment planning. The study reveals that 33 % of the women have a well
developed plan for investment. It also infer that 48 % of the working women think that one should start to invest whenever they find a new job or occupation. 18 % of the working women have invested in shares & stocks.

**As per Meenakshi Chaturvedi and Shruti Khare conducted** study on saving pattern and investment preferences of individual household in India. The objectives of the study were to study the saving pattern of the individual household in India, to analyze the Investment preferences of individual household in India, to study relation of saving pattern and investment preferences to social, economic, educational and occupational background of the individual household & to give suggestions for evolving better investor awareness and educational programs. It is concluded from the study that Majority of the respondent (79.6%) stated that they had a high degree of awareness about bank deposits as investment avenues. It is found from the study that level and extent of awareness varies with the level of income.

**RESEARCH METHODOLOGY**

**Type of research:**
The methods used in this study are primary and quantiative in nature.

**Source of Data:**
The data required for the study are primary in nature. The primary data have been collected by making use of a questionnaire.

**Sampling Size and Techniques:**
Total samples used for this study will be around 450. The method of sampling used for this study is random sampling. The sample tells us about how the investors view gold as an investment option in a low interest environment.

**Mode of data collection:**
The data are collected through questionnaire survey.

**Analysis Methodology:**
The collected data have been analysed by making use of hypothesis testing.

**Charts about the sample profile based on:**

1. **Gender & age**

   ![Gender & Age Chart]

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

   **Age**
   - 25-30: 49%
   - 30-40: 21%
   - 40-50: 17%
   - 50-60: 10%
   - Above 60: 2%
2. Marital status & years of work experience

Marital Status

- Single 45%
- Married 54%

Years of Work Experience

- 0-5 Years 47%
- 5-10 Years 20%
- 10-15 Years 8%
- More than 15 Years 23%

3. Family type & occupation

Family Type

- Nuclear 50%
- Joint Family 43%
- Living alone 5%

Occupation

- Salaried 70%
- Business 15%
- Housewife 4%
- Profession als 7%
- Retired 3%

4. Annual income & qualification

Annual Income

- Less than 3 lacs 32%
- 3-5 Lacs 33%
- 5-8 Lacs 18%
- 8-10 Lacs 5%
- More than 10 Lacs

Qualification

- Commercie 32%
- Undergraduate 17%
- Master 20%
- Engineer 14%
- Profession als 15%
Hypothesis mentioned bellows are as follows:

1) More than 65% of salaried people invest in ppf.
2) Less than 20% of the people invest in fds (more than 5 years).
3) Less than 45% of respondents with an annual income of 5-8 lakhs invest in MF's.
4) Investment in FD is independent of occupation of respondents.
5) Investment in property is independent on income levels.
6) Investment in SIPs is independent on age.

TESTING OF HYPOTHESIS

Hypothesis 1: Test of Proportions

Ho: More than 65% of salaried people invest in ppf
Ha: Less than 65% of salaried people invest in ppf

Ho \( \mu =<65\% \)
Ha: \( \mu =>65\% \)
Test of Proportion
Right-tailed Test
Confidence=0.9
\( \alpha =0.1 \)
Probability=0.9
Zcritical=1.28
Calculating the observed value
X=310
n=444
p' =0.75
P=0.65  
q=0.35  
p'=p=0.05  
p.q=0.23  
\sqrt{p.q/n}=21.07  
p'-p  
\sqrt{p.q/n}=4.46  
**Observed value** =4.46  
p-value=0.00  
ALPHA=0.1

**Observation:** We failed to accept the null therefore we can say that Less than 65% of salaried people invest in ppf. The ppf account is to be operated and maintain for 15 years. It cannot be closed before end of 15 years minimum amount of rs 1000 is to be deposited every year.

**Insights:** PPF is one of the safest investments. The scheme of ppf is being managed by nationalized bank and term of ppf is minimum 15 years. It gives attractive rate of interest and interest is tax free under income tax act. The ppf account cannot be attached by bank or finance company in case of default by the account holder for payment of loan taken the account holder can obtain housing loan against securities of ppf account.

**Hypothesis 2: Test of Proportions**

Ho: Less than 20% of the people invest in fds (more then 5 years)  
Ha: more than 20% of the people invest in fds (more then 5 years)

Ho:µ =>20%  
Ha:µ=<20%  
Test of  
Proportion  
Left -tailed Test  
Confidence=0.9  
α=0.1  
Probability=0.1  
Zcritical=(1.28)  
Calculating the observed value  
X=38  
n=284  
p'=13%
P=20%  
q=80%  
p'=p=(7%)  
p.q=16%  
sqrt(p*q/n)=0.02  
p'p  
sqrt(p*q)/n  
=(2.79)  
**Observed value** =(2.79)  
p-value=0.00  
ALPHA=0.1

**Observation:** We failed to accept the null therefore we can say that **more than 20% of the people invest in fds (more then 5 years)** Services of banks are not prompt. Rate of interest for short term deposits is around 6.5% where else for long term deposits it is 6% per annum.

**Insights:** People prefer to invest in fds for a short period. Short term fd can be withdrawn in case of need for liquid funds. interest on short term deposits is higher than in long term deposits. banks charge penalty for premature withdrawals from fds. It is risky to invest for long term period with regards to credit worthiness of the bank.

**Hypothesis 3: Test of Proportions**

Ho: Less than 45% of respondents with an annual income of 5-8 lakhs invests in MF’s  
Ha: More than 45% of respondents with an annual income of 5-8 lakhs invests in MF’s  

Ho:µ <45%  
Ha:µ>45%  
Test of  
Proportion  
Left -tailed Test  
Confidence=0.9  
α=0.1  
Probability=0.1  
**Zcritical=(1.28)**  
Calculating the observed value  
X=34  
n=71  
p'=0.48  
P=0.45
q=0.55
p' - p=0.03
p.q=0.25
sqrt(p*q/n)=0.06
Observed value=0.49
p-value=0.69
ALPHA=0.1

**Observations**: - mutual fund is considered to be safe investment however it is unsecured.
Investor will gain good returns in terms of return and capital appreciation.

**Insights**: - generally younger people would like to invest in mutual fund. Persons having age of 50 and above will prefer to invest in bank fds rather then mutual fund. rate of return in mutual fund is quiet high. mutual fund can be started with minimum Rs. 1000 per month.

**Hypothesis 4: Test of Independence (Chi-Squared test)**

Ho: investment in FD is independent of occupation of respondents.
Ha: Investment in FD is Not independent of occupation of respondents

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Chi-square test

Right tailed test
Alpha = 0.1
Probability = 0.1

Critical value = 13.36
Observed value = 0.00
P value = 0.30

Alpha = 0.1

Since p value is greater than alpha we accept the null / failed to reject the null
Observations: since p value is greater than alpha we accept the null / failed to reject the null. Therefore Investment in FD is independent of occupation of respondents. Salaried persons and professionals have limited scope for investment. They can save small amounts. They cannot easily purchase immovable property hence they will prefer to invest in bank fds.

Insights: salaried people generally invest their surplus fund in fds. They consider bank fds as safe investment. Business man would like to invest in stock/inventory. Rate to interest is low on fds. Investments in fds are not fully secured. We can invest in fds for short period or long period.

Hypothesis 5: Test of Independence (Chi-Squared test)

Ho: investment in property is independent on income levels

Ha: investment in property is Not independent on income levels

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228.68

Chi-square test

Right tailed test
Alpha= 0.1
Probability=0.1

Critical value=13.36
Observed value=228.68
P value=0.14

Alpha=0.1
since p value is greater than alpha we accept the null / failed to reject the null
therefore Investment in property is Independent on income levels
**Observations:** it is very difficult to purchase immovable property. Heavy stamp duty registration fees and transfer charges are payable on purchase of property in case the property is let out. The rate of return on investment is very low.

**Insights:** huge capital is required to purchase immovable property because prices of properties are very high. Persons having larger income can save money to purchase immovable property. It is very difficult to purchase property who has low income. Middle class people obtain housing loans from banks for purchase of housing accommodation.

**Hypothesis 6: Test of Independence (Chi-Squared test)**

Ho: investment in SIPs is independent on age  
Ha: investment in SIPs is not independent on age

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Chi-square test

Right tailed test
Alpha= 0.1
Probability=0.1

Critical value=13.36
Observed value=0.00
P value=0.10

Alpha=0.1

since $p$ value is greater than alpha we accept the null / failed to reject the null therefore Investment in SIPS is independent of age.

Observation: since $p$ value is greater than alpha we accept the null / failed to reject the null therefore Investment in SIPS is independent of age. Sip is considered to be safe investment however it is unsecured. Investor will gain good returns in terms of return and capital appreciation.

Insights: generally younger people would like to invest in sip. Persons having age of 50 and above will prefer to invest in bank fds rather than sip. Rate of return in sip is quiet high. Sip can be started with minimum rs 1000 per month its duration is generally 3-5 years.
**Conclusion:**

It is concluded from the study that the investors are monitoring their investments. The prime most important objective of the sample investors is return factor.

The investors are making their investments on a medium term basis. The sample investors are considering liquidity as the important factor before making their investments. The front runner for the investors to make their investment is friends. The investors are investing their amount for medium time period only.

The respondents had chosen negotiable securities as their first preference the second place is occupied by non-negotiable securities followed by real assets the fourth fifth & sixth places are occupied by Mutual funds, tax sheltered schemes & life insurance respectively.

The respondents had chosen hedging against inflation as their first preference. The second place is occupied by safety of principal followed by liquidity. The fourth fifth & sixth places are occupied by return, retirement benefits and risk respectively.

**Limitation of research:**

The Analysis is based on investment of annual income of consumers. It is based on investment behaviour during normal time.

The various limitations are

1) The total number of financial instruments in the market are so large that it needs a long time to analyse them
2) As the Analyse is based on primary as well as secondary data possibility of unauthorized information cannot be avoided
3) Reluctance of people to provide complete information can affect the validity of responses.
4) The lack of knowledge of customer about financial instrument can be a major limitation.
5) The information can be biased due to use of questionnaire.
Bibliography

www.google.com

http://indianmba.com/Faculty_Column/FC1544/fc1544.html