CUSTOMER SATISFACTION LEVEL ACROSS DIFFERENT ALTERNATIVE INVESTMENTS

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ABSTRACT

The main purpose of this study is to understand the customer satisfaction levels across different investment alternatives by performing hypothesis. The study is based on data collected from various respondents on how they feel and what are their views regarding various investment alternatives. The responses differ from respondents to respondents. Some respondents feel satisfied with low risk, low return investment alternative whereas some respondents prefer high risk, high return investment alternative. Then again, the choice to invest in a particular alternative is dependent on perception of the respondents and what value respondents attach to an investment alternative.

INTRODUCTION

The increasing level of new investing instruments coming into the market it has become essential to know whether such investment instruments satisfies the financial need of a person. It is of utmost importance that the consumers be well informed about working of different investment instruments & benefits derived across various alternative investment instruments. It is very important for the investors to foresee about various investment instruments such as equity shares, debentures, government bonds, gold, Fixed Deposits etc.

Customer satisfaction level on various investment instruments depends on the benefits derived by the customers from such investments. It is often seen that consumers take investment decisions by just listening to their friends and family. It is always better to go into a detail analysis of what instrument they are focusing on and what they plan to invest in.

An investment is an asset or item that is purchased with the hope that it will generate income or will appreciate in the future. Therefore it is of utmost importance to have a detail study on the satisfaction levels on alternative investment instruments before investing in any one instrument.

The everyday usage of the term investment can mean a variety of things, but to be man on the street it usually refers to a money commitment of some sort. For example, a commitment of money to buy a new car is certainly an “investment” from an individual’s point of view. But these are so in very general and in much extended sense of the word since no rate of return is involved, nor is a financial return or capital growth expected. The most important aspect which we have considered to determine the various satisfaction levels is age, annual income, gender etc. These demographics play an important role in understanding the satisfaction level on various instruments.
RESEARCH OBJECTIVE
The primary objective of the research is to comprehend the customer satisfaction levels across different investment alternatives by performing the following hypothesis:

1) P - test
2) T- test
3) Chi – squared test

PROPOSED HYPOTHESES

Hypothesis-1:
Ha: Proportion of individuals who are completely dissatisfied with mutual funds is more than 12%

Hypothesis-2:
Ha: Less than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

Hypothesis-3:
Ha: The average annual income of respondents who are completely satisfied with PPF is more than 11 lakhs.

Hypothesis-4:
Ha: The average annual income of individuals who are completely satisfied in investing in property is more than 8 lakhs.

Hypothesis-5:
Ha: The satisfaction level of investor who is investing in FD is not independent of annual income level.

Hypothesis-6:
Ha: Satisfaction levels for investment in property are not independent of gender.
LITERATURE REVIEW

As per Stern P. Walter, there are two styles of investing among investors; Firstly, the aggressive investors. They are the investors who identify patterns of market changes beforehand and accordingly decide on the course of investment. They have high conceptual clarity and always seek opportunity in the market. Secondly, serious long term investors are those who think from long term point of view with respect to the investments. They rely less on concepts and are more profit oriented.

As per Lease Ronald, satisfaction levels of investors depends on various attributes such as their demographic characteristics, investment patterns, informative sources, market trends and perception of investors. He considered analyzes of portfolio position and investment returns as an important factor. He also believed that there is a positive correlation between individual income and total wealth, age and percentage portfolio invested in securities. He used to select a sample of respondents and analyze their strategies with respect to investment they hold.

As per Lewellen Wilbur, the decision process differs across various investors. He mentioned that age of an investor has a strong influence on the portfolio goals of the investors. Young investors prefer liquidity and quick returns and have a desire for short term gains whereas old investors have an interest in long term gains. He found that age and risk taking properties are inversely related. It also placed reliance of women investors to be more than that of male investors.

As per Warren, value and type of investment holdings helps in developing life style and demographic profiles of investors. He was of the view that with the help of multiple analyses, we can find whether investment patterns differed according to demographic and life style dimensions. He concluded that life style of investors was significant in differentiating between light and heavy investors.

RESEARCH METHODOLOGY

The primary source of information was collected on the basis of responses from respondents through interviews and questionnaires. On the basis of it, data were collected and evaluated and hypotheses were formulated. Once formulated, hypotheses were solved using detailed steps. On the basis of solutions obtained, observations and insights were developed. Finally, graphs were prepared which represented the hypothesis in an understandable manner.
DEMOGRAPHICS

1. Gender & Age

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

- **Age**
  - 25-30: 67%
  - 30-40: 15%
  - 40-50: 10%
  - 50-60: 8%
  - Above 60: 2%

2. Years of experience & Marital Status

- **Years of work experience**
  - 0-5 Years: 20%, 20%
  - 5-10 Years: 47%
  - 10-15 Years: 37.8%
  - More than 15 Years: 33%

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

3. Occupation & Qualification

- **Occupation**
  - Salaried: 70%
  - Business: 15%
  - Housewife: 4%
  - Professionals: 7%
  - Retired: 3%

- **Qualification**
  - Undergraduate: 17%
  - Master: 20%
  - Commerce: 32%
  - Engineering: 14%
4. Number of children’s & Number of earning family members

No. of childrens

- Two, 84, 19%
- Three, 14, 3%
- One, 86, 20%
- None, 254, 57%

No. of childrens

- Five, 1, 0%
- Four, 15, 3%
- More than Five, 4, 1%
- Two, 221, 50%
- One, 156, 35%
- Three, 47, 11%

5. Family type & Annual Income

Family Type

- Nuclear, 215, 50%
- Joint Family, 192, 43%
- Living alone, 23, 5%

Annual Income

- More than 10 Lacs, 45, 10%
- Less than 3 Lacs, 143, 33%
- 3-5 Lacs, 146, 30%
- 5.4 Lacs, 38, 9%
- 8-10 Lacs, 34, 7%
HYPOTHESES TESTING

Hypothesis 1: Test of Proportion (P test)

Ho: Proportion of individuals who are completely dissatisfied with mutual funds is less than 12%
Ha: Proportion of individuals who are completely dissatisfied with mutual funds is more than 12%

Observations: We reject the null. Proportion of individuals who are completely dissatisfied with mutual funds is more than 12%

Insights: As we can see from the above diagram the proportion of individuals who are completely dissatisfied is about 15%
The reasons behind dissatisfaction might be due to the following:
1. Mutual funds are subject to market risks due to which many people fear to invest in mutual funds
2. Majority of the people are not aware mutual funds working mechanism.
3. As mutual funds are linked to share market it is highly volatile
4. Many people in India think that understanding mutual funds is tedious and complex.
5. Dissatisfaction in mutual funds might be due to lesser tax benefits.
Hypothesis 2: Test of Proportion (P test)

Ho: More than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

Ha: Less than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

Ho: p >20%
Ha: p <20%

Test of Proportions
Left-Tailed test
Alpha=0.1
Probability=0.1

Critical-Value=(1.28)

Calculating the Observed-Value
\[ x = 52 \]
\[ n = 206 \]
\[ p' = 25\% \]
\[ p = 20\% \]
\[ q = 80\% \]
\[ p' - p = -5\% \]
\[ \sqrt{p'q}/n = 0.03 \]
\[ p' - p \]
\[ \sqrt{p'q}/n = 1.88 \]

Observed-Value=-1.88

p-value=0.97

Alpha=0.1

0.97>0.1, p-value > alpha

Observations: It shows that more than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

Insights: The reason behind more than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold are as follows
1. Young generation having age group between 25-30yrs consider gold as a dead asset
2. Majority of young population lack ideas with respect to investing in gold
3. The prices of gold change at regular intervals due to which it is difficult to predict the future returns
4. The returns on gold are based on its purity & many young people has no idea of its purity
5. With many investment instruments coming into the market offering higher return on investment, gold has lost its importance.
Hypothesis 3: Test of Mean (T-test)

**Ho:** The average annual income of respondents who are completely satisfied with PPF is less than 11 lacs.

**Ha:** The average annual income of respondents who are completely satisfied with PPF is more than 11 lacs

**Observations:** It shows the average annual income of respondents who are completely satisfied with PPF is less than 11 lacs

**Insights:** The reasons average annual income of respondents who are completely satisfied with PPF is less than 11 lacs are as follows

1. Since there is lock in period of 15 years one cannot invest the money if he or she has liquidity problem because this funds are locked in for a long period of time.
2. Maximum investment which one can made in this is limited to 100000 rupees; therefore one has to plan his or her investment accordingly.
3. One cannot close his or her account prematurely (except in case of death) which results in lower flexibility as compared to SIP or FD where you can close it whenever you want.
4. One another disadvantage of PPF scheme is that joint account holders can’t apply together for the scheme. The entire basis of joint account services offered by several banks fails with this restriction.
5. Considering the devaluation of Rupee in the recent past, a lot of economist believe that the maximum limit of PPF investment, i.e. Rs.1.5 lakh is a little on the lower side. This amount is not really a substantial amount in terms of modern well earning Indian youth. If the investment would be less, so would be the returns.
Hypothesis 4: Test of Mean (T-test)

Ho: The average annual income of individuals who are completely satisfied in investing in property is less than 8 lakhs.

Ha: The average annual income of individuals who are completely satisfied in investing in property is more than 8 lakhs.

Ho: p < 8 lacs
Ha: p > 8 lacs
t-test
Right-Tailed test
Alpha=0.1
Probability=0.9

Critical-Value=1.28
Calculating the Observed-Value
x’=10
n=140
μ=8
x’-μ=2
s=5.86
sqrt(n)=11.83
s/sqrt(n) =0.5
x’-μ
s/sqrt(n)=4.04
Observed-Value=-4.04

4.04 >1.28,Zo > Zc, Reject the null

Observations: The average annual income of respondents investing in property is more than 6 lakhs.

Insights:
1) Property is one of the most promising investment alternatives.
2) It offers an attractive return on investment.
3) It is largely dependent on annual income of an individual.
4) Low income group individuals would not prefer to invest in property due to lesser disposable income and high initial cost.
5) High worth individuals and individuals with high income per annum who have numerous sources of income prefer investing in property due to its high return on investment attribute and higher tax savings with respect to capital gains.
Hypothesis 5: Test of Independence (Chi-squared test)

**Ho:** The satisfaction level of investors who are investing in FD is independent of annual income level.

**Ha:** The satisfaction level of investors who are investing in FD is not independent of annual income level.

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<tr>
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<th>Observed</th>
<th>Expected</th>
<th>(fo-Fe)^2/fe</th>
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<tr>
<td>3-5 Lacs</td>
<td>21</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>5-8 Lacs</td>
<td>11</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>8-10 Lacs</td>
<td>1</td>
<td>10</td>
<td>8</td>
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<tr>
<td>Less than 3 lacs</td>
<td>16</td>
<td>10</td>
<td>3</td>
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<tr>
<td>More than 10 Lacs</td>
<td>2</td>
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<td>7</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>10</strong></td>
<td><strong>30</strong></td>
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**Observations:** The satisfaction level of investor who are investing in FD is independent of annual income level.

**Insights:**

The satisfaction level in investing in FD is independent of annual income because of the following reasons:

1. **Safety**
   a) The fixed deposits of reputed banks and financial institutions regulated by Reserve Bank of India, the banking regulator in India are very secure and considered as one of the safest investment methods.
   b) Regular Income Fixed deposits earn fixed interest rates for their entire term, which is usually compounded quarterly.
   c) People who want an income on a regular basis can invest into fixed deposits and use the interest rate as their income. This makes a fixed deposit very accepted way of investing money for retirees.
2. **Saves tax**
   Interest on FD's up to 10,000 INR are exempt from income tax under section 80TTA.
3. **People of all income groups consider FD as risk free and safe investment option**
4. **Satisfaction levels in FD's may vary depending upon perceptions of people.** Some people consider FD's in terms of moderate returns. High income people are of view that investment in FD's should be low because of its low returns in terms of interest. They prefer to invest in alternative sources of investments such as SIP's and properties which can generate much higher returns than FD's.
Hypothesis 6: Test of Independence (Chi - Square Test)

Ho: Satisfaction levels for investment in property is independent of gender

Ha: Satisfaction levels for investment in property are not independent of gender

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<td>12</td>
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<tr>
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<td>29</td>
<td>64</td>
<td>38</td>
<td>98</td>
<td>32</td>
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<td>Grand Total</td>
<td>37</td>
<td>42</td>
<td>96</td>
<td>52</td>
<td>140</td>
<td>42</td>
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<td>11</td>
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<td>27</td>
<td>15</td>
<td>40</td>
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<td>409</td>
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\[(fo-Fe)^2/fe\]  

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<tr>
<td>Female</td>
<td>1.21</td>
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<td>0.75</td>
<td>0.05</td>
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<tr>
<td>Male</td>
<td>0.51</td>
<td>0.03</td>
<td>0.27</td>
<td>0.03</td>
<td>0.03</td>
<td>0.15</td>
<td>1.01</td>
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<tr>
<td>Grand Total</td>
<td>1.73</td>
<td>0.03</td>
<td>1.02</td>
<td>0.08</td>
<td>0.12</td>
<td>0.49</td>
<td>3.46</td>
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</table>

Ho: Complete satisfaction for investing in gold is dependent on gender
Ha: Satisfaction levels for investment in property is not independent of gender

Chi square test
Right-Tailed test
Alpha=0.1
Probability=0.1
Critical-Value=9.24
Calculating the Observed-Value
Observed value= 3.46
P value=0.63
Alpha=0.1
0.63 > 0.1
Since p value > alpha, failed to reject the null.

Observations: The complete satisfaction for investing in gold is not dependent on gender.

Insights:
1. This means men are equally involved in purchasing gold
2. Generally most jewelry ads are targeted to women so marketing executives should explore how to target men through jewelry investment
3. It has been observed that banks also offer gold coins 7 gold ETF's
4. In this way banks can promote men to invest in gold
This type of general neutrality is usually promoted in many area
For Example: Unisex cycles, unisex jeans, unisex gyms
APPENDIX (CHARTS FOR HYPOTHESES TESTING)

Hypothesis-1:

<table>
<thead>
<tr>
<th>Ho: Proportion of individuals who are completely dissatisfied with mutual funds is less than 12%</th>
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<tr>
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</tr>
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</table>

**DECISION:** We reject the null. Proportion of individuals who are completely dissatisfied with mutual funds is more than 12%
Hypothesis-2:

Ho: More than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

Ha: Less than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.

DECISION: We failed to reject the null as it shows that more than 20% of the individuals belonging to age group 25-30 years feel neutral about investing in gold.
Hypothesis-3:

Ho: The average annual income of respondents who are completely satisfied with PPF is less than 11 lacs.

Ha: The average annual income of respondents who are completely satisfied with PPF is more than 11 lacs

DECISION: Failed to reject the null as it shows the average annual income of respondents who are completely satisfied with PPF is less than 11 lacs
Hypothesis-4:

Ho: The average annual income of individuals who are completely satisfied in investing in property is less than 8 lakhs.

Ha: The average annual income of individuals who are completely satisfied in investing in property is more than 8 lakhs.

DECISION: Reject the null because average annual income of respondents investing in property is more than 6 lakhs.
Hypothesis-5:

Ho: The satisfaction level of investor who are investing in FD is independent of annual income level.

Ha: The satisfaction level of investor who are investing in FD is not independent of annual income level.

DECISION: Failed to reject the null as satisfaction level of investor who are investing in FD is independent of annual income level.
Hypothesis-6:

Ho: Satisfaction levels for investment in property is independent of gender

Ha: Satisfaction levels for investment in property is not independent of gender

DECISION: Failed to reject the null because the complete satisfaction for investing in gold is not dependent on gender.
CONCLUSIONS

The research was initiated to understand and analyze the satisfaction level across different investment alternatives depending upon various demographic factors. The research paper also tells that the satisfaction levels across different alternative financial instruments available in the market depends upon various factors such as gender, age, years of experience, marital status, qualification, occupation, family type, annual income etc. The research was conducted on people of various spheres depending upon their income level and other characteristic’s to understand their opinion and satisfaction levels of various investment instruments. As per my opinion the financial institutions providing such investment options should increase their promotion efforts of such investment instruments in order to increase consumer awareness of these investment options.

LIMITATIONS

1. The main limitation is the data collected is limited to urban areas and doesn’t provide an overall outlook on the satisfaction level experienced by investors in rural areas.
2. There is no guarantee authenticity of data, as data as the factors considered are not based on entirely on true findings but it is estimated one due to constraint in time.
3. The research was done considering a sample and not on the entire population. Also there was carelessness on the part of respondents on submitting their answers due to which there was a difficulty to analyze some questions.
4. Collection of data was done using only online forms which might affect the reliability of the research as different mode of data collection was not used.
5. The depth of discussion in this research paper is comprised in many levels compared to work of experienced investors.

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