Evaluating Consumer Preferences for Different Asset Classes: Mutual Funds, Commodity and Real Estate

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ABSTRACT
An Investment refers to the commitment of funds at present in anticipation of some positive returns in future. However, one must not forget that the foundation for leading a comfortable life post retirement is to be laid at a very early stage. Indian Economy is doing indeed well in current year. The study was made to identify the investment instrument preferred by the investor & investment behavior of Indian people. A Survey was conducted with 86 respondents among all professions. The aim of the study is to get more insight on the investment behavior of individuals based on their demographic factors such as age, gender, income, educational qualification, and occupational pattern. The attempt was to relate the demographic profile of sample to investment pattern. Analysis is based on Chi-square, anova, and z-test. Middle class people always are impacted by economic changes and may be pushed either up or down based on their responses.

INTRODUCTION
Employment of funds with the aim of achieving additional income or growth in value is investment. Investment is sacrificing current money and other resources for future benefits. Investment can be defined as allocation of resources in expectation to yield positive gains over a given period of time. Time and risk are the two aspects of investments. Equity, bonds, mutual funds, real estate, fixed deposits, commodities, etc. are some examples where investors preferably invest. Investment can be long term or short term. Long term investments are those which have horizon of more than one year except for real estate (3 years). Investment can be divided into three- financial investment, non-financial investment and alternative forms. Detailed explanation to all the investment alternatives is given below the chart.

**FINANCIAL INVESTMENT**
Money invested in the hope of getting back a larger sum is financial instrument. The idea to hold this type of investment is to earn higher price by selling or when it is owned. This type of investment has high risk.
• **NON-FINANCIAL INVESTMENT**
  Investing money in to land and building, plant and machinery, or any business is non-financial investment. A different level of risk, returns and other qualities in terms of flexibility, control, is involved and it also requires proper attention.

• **ALTERNATIVE FORMS**
  Alternative investments are wine, precious metals, art and antiques, stamps and coins and also some financial assets such as commodities, private equity, hedge funds, venture capital, and financial derivatives etc.

**LITERATURE REVIEW**

Rangnathan K. (2006) - his article “A Study of Fund Selection Behavior of Individual Investors towards Mutual Funds: With Reference To Mumbai City. It the article it was noted that the financial markets of investors is mostly affected by their financial behavior. Her observations were that the behavior of consumer from the marketing world and financial economics brought together a need to study the area of ‘behavioral finance’. The study was done in an attempt to examine the related aspects of the selection behavior of individual investors towards mutual funds in Mumbai.

James H. Lorie, Peter Dodd and Mary Hamilton, (1985) - in their book “The Stock Market – Theories and Evidence” pointed out that the value of a corporation’s stock is determined by expecting the future earnings of the corporation and by the rate at which the earnings can be discounted. In a world of no uncertainty, to the real rate of return in capital equal all securities would offer a certain return.

**RESEARCH OBJECTIVE**

• To study the investments and savings pattern across professionals.
• To study on investment preferences across Mutual Funds, Stocks, Commodity and Real Estate.

**RESEARCH METHODOLOGY**

The secondary source of data was based on the as mentioned in the reference. A survey was conducted via e-forms wherein the response were recorded in a Google doc. 86 respondents was taken for data analysis. The respondents belonged to the population of all the professionals such as doctors, lawyers, C.A. etc. and businessmen who are the residents of Mumbai. The data was collected was analyzed using descriptive statistics tests such as Chi-square, Anova and Z-test.
SAMPLE DEMOGRAPHICS

- **ANNUAL INCOME (INDIVIDUAL)**

  74% of the respondents lie in the income group of 0- Rs. 10 lakhs. While 23% are in the income range Rs.10 lakhs- Rs. 20 lakhs.

DATA ANALYSIS

- **INVESTMENT IN MUTUAL FUNDS**

  Approximately 85% people are investing about 0-10% of their income in bonds.

- **INVESTMENT IN REAL ESTATE**

  60% respondents invest in real estate. They invest in the range of 0-10%.
• INVESTMENT IN STOCK MARKET

In the range of 0-10% approx. 55% people are investing.

HYPOTHESES TESTING

Hypothesis 1
Ho: The amount invested by respondents in mutual funds is less than 17000.
Ha: The amount invested by respondents in mutual funds is more than 17000.

Null Ho: 17000
Alternate Ha:17000
Test Z-Test
Tail Right tail
Alpha 5%
Probability 95%
C critical 1.64

Z OBSERVED
x' 17,500
µ 17,000
s 22,035
sqrt (n) 9
x'-µ 500
s/sqrt(n) 2,376
x'-µ/(s/sqrt(n)) 0

P value 0.58
Alpha 0.05
Decision Accept the null
Conclusion The average amount invested by respondents in mutual funds is more than 17000.
Business decision: - The amount invested by the respondents in mutual funds is more than 17000. This means investors are ready to take risk to earn profit in future. But it is necessary for them to review the market for particular mutual funds before investing.

Hypothesis 2

Ho: The average investment across gender in gold is same.
Ha: The average investment across gender in gold is not same.

Ho: The average investment across gender in Gold is same
Ha: The average investment across gender in Gold is not same

ANOVA: Single Factor

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<th>df</th>
<th>MS</th>
<th>F</th>
<th>P-value</th>
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<td>Between Groups</td>
<td>0.01</td>
<td>1.00</td>
<td>0.01</td>
<td>1.99</td>
<td>0.16</td>
<td>3.93</td>
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<tr>
<td>Within Groups</td>
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<td>103.00</td>
<td>0.01</td>
<td></td>
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<tr>
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<td>0.61</td>
<td>104.00</td>
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Conclusion: - The average investment across gender in Gold is same

Business decision: - The investment made in gold is same in both the genders. People invest more in commodity market so as to earn more as there is very minimal risk.

Hypothesis 3

Ho: Investment habit in real estate sector is independent to income.
Ha: Investment habit in real estate sector is not independent to income.
Business Decision: The investment habit in real estate is not independent to income. Real estate has more returns than any other investment as the market value is always appreciating.

LIMITATIONS

- Survey was limited to 86 respondents.
- Secondary source of data like internet were used to conduct the exploratory study.
- The primary data was collected which was limited to 86 respondents only across Mumbai and was sent to different professionals and businessmen.
- The primary data collected was based on little range on which various statistical tools were used to analyze so it can contain minute error.
- Since the data collected was limited to sample population rather than the entire the results may be bit sketchy.
- The risk factor in the investment in relations to investors could not be covered.

CONCLUSION AND RECOMMENDATIONS

This study was conducted in order to understand the investment pattern of professionals and businessmen’s. There are many investment options. They have their own risks and offerings. As per the findings more people prefer mutual funds than commodity and stocks. The study also shows that the investment habits of individual are not independent on income. Also the preference for gold is not same across the genders.

The golden rules for Investor are:
- Invest wisely
- Invest early
- Invest for long term and not for short term. The need for any investment should be as follows: - Earning good returns on investments should make provisions for uncertain future, getting minimum return which is over and above inflation rate. Before investing in any instrument an individual must verify the legitimacy of the investment. Know the

Null Ho: Investment habit in Real Estate sector is independent to income.

Alternate Ha: Investment habit in Real Estate sector is not independent to income.

Tail Right Tail

Test chi square

Alpha 10%

Probability 90%

C- critical

<table>
<thead>
<tr>
<th>r1</th>
<th>c1</th>
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Observed value 23

P- value 0.01

Alpha 0.1

Descion Reject the null

Conclusion: The Investment habit in Real Estate sector is not independent to income.

Zc=15 Zo=23

Conclusion: The Investment habit in Real Estate sector is not independent to income.
liquidity and safety aspect of the investments. The risk return profile of the investment should be reviewed.

**REFERENCE**


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