

MAPPING THE BEHAVIOUR PATTERN OF INVESTORS IN JAIPUR: WHERE ARE PEOPLE PARKING THEIR SAVINGS?

Mahua Majumdar Bose

Assistant Professor, St. Xavier's College, Jaipur

Abstract

We are stepping into that time of the financial year where our fiscal thinking is inclined towards balancing the tax cuts in our salary by leveraging them with savings in different sectors before time runs out. At this juncture, the why part of investment becomes irrelevant and the pertinent query that pervades the collective conscience of investors is where do they park their hard-earned money? The urgency that is reflected in our mindsets towards the end of the fiscals, year after year, also shows our lack of planned approach towards savings over the year. Keeping these two co-values in mind and the changing landscape of investment and laws governing the financial institutions that manage them, we conducted a survey of investors based in Jaipur to find out which investment avenues they prefer to secure their savings. We also segregated the investors based on their annual income to chart the behavioural pattern in families belonging to different class/segments. The results indicated more of a trend than building on an existing pattern of investor behaviour and furthering a cohesive argument in its favour.

The aim of this paper is to build a strategic framework for the accurate investment for Jaipurites which will not only increase the competency of various investment measures but will also yield safe returns in terms of right investment decision in order to facilitate the profile of portfolio management.

There are two observations that have emerged from the study to give a broader outline of the investor behaviour in Jaipur. First, it proves that there is still a conservative approach to investments as the investment portfolio of a majority of respondents reflects a high trust quotient in the bank and post office savings followed by insurance. The other finding answers the why part of this entire exercise. It turns out, as is amply indicated by the study, people are investing to secure the education of their children in foreseeable future and for exigencies related to the health of their loved ones and their own.

Key words: Investment, Savings, Insurance, Education, Health

Introduction

There is a propensity for savings in the humans. The earliest recoveries from sites of excavations of civilizations, now dead and buried in time, include ornaments and collections of our forefathers that are considered the hallmark of human race. In the modern era, the urge to save is manifested in the mushrooming of market-based investment options that have in the course of expansion and vertical growth of economies across the world come to be institutionalized and regulated in different forms: Bank and Post office, realty, bullion and ornaments, insurance and more lately, shares and mutual funds.

For any civil society, the assessment of the quality of life of its stakeholders is based on a primary evaluation of how the financial institutions or the allied services have added value to the individual lives, and in effect, the economy as a whole. One of the major drivers for effective delivery on part of the financial institutions is the nature of investments – both qualitative and quantitative – that they receive.

With High Capital Output ratio, India needs a very high rate of investment to make a leap forward. Since the beginning of planning, the emphasis has been on investment as the primary instrument of economic growth and consequently an increase in the national income. According to Hosamne and Niranjana (2010), investment is a crucial determinant to attain targeted production and capital formation has to be supported by appropriate volumes of saving.

The recent initiative by the Government of India *Jan Dhan Yojna* underlines the critical importance of savings in an economic behemoth that India is. The scheme, envisaged by Prime Minister Narendra Modi, is hinged around fuelling the economy by introducing the culture to save; the first step having been taken in that direction by getting saving accounts opened for all citizens – rich and poor, urban and rural. More than 1 crore savings accounts were opened on the day this scheme was introduced with conscious and a decisive step towards retaining the momentum and building on the concept of an inclusive economy. This step is expected to lead to a greater participation of the large marginalized section which has till now remained excluded from the mainstream economy through the financial institutions through investments and spending. It, therefore, warrants no better explanation why investments and savings as drivers of the growth engine are indoctrinated in the principles of an open economy, which we as a democratic nation participate in with much pride.

This brings us to the threshold of planning our investment portfolio. We have to factor in the 'How' quotient. Put simply, it means, how do we plan our investment portfolio? This leads us to the next logical extension of the argument where do we park our money.

The Market Survey

The premise of our survey carried out was to understand where people of Jaipur are putting their money. We selected 100 individuals who reside in Jaipur based on random sampling method. The only conscious intervention in the selection of respondents was to ensure that they represented a heterogeneous mix of different income groups and professions for the deductions to be more effective.

Research Methodology

1. Type of research: Descriptive, based on random sampling method of deduction
2. Definition of population: The study relates to the investment pattern of separate groups (within the selected respondents) engaged in either service or business and whose annual disposable income is between Rs2.0 lakh and Rs 5.0 lakh.
3. Sample size: A 100 respondents were interviewed in Jaipur. They will be considered to represent the population within these segments as a whole.
4. Sampling procedure: The sampling procedure followed in this study is non-probability convenient sampling.

5. Primary data: A structured questionnaire was prepared and the primary data was collected through the survey method.
6. Secondary data: Textbooks, magazines, newspapers, journals and the websites.
7. Analysis of data: In order to analyse the collected data, simple percentage analysis tool has been used. It states the frequency and the percentage of the respondent's profile, attitude and opinion regarding the different variables.

Hypothesis Testing

The researcher contacted the respondents personally with well-defined and sequentially-arranged questionnaire. Testing of the hypothesis involves what considerations go into making an investment or economic decision by the subjects included in the study. Sample this: We created a hypothesis test to determine whether any investment avenue outperformed its peers in a statistically significant manner. For this, the investment decision would likely take into account the risk tolerance of the client and the volatility of risk measures of the fund. It would also take into account various tax implications that have impacted the investment decision.

Scope of the Study

This study is focusing on the preference of investors in Jaipur in various categories of income and it will be helpful to identify the better investment ventures in Jaipur related to the society.

The survey itself was divided into two parts for better reasoning. The first part (A) dealt with the broader perspective of mapping the investment preferences of the respondents. The second (B) one was to refine the findings of the study based on the income group of the target constituent and dovetail it with the bird's eye view of the individually-held or preferred investment portfolios in Jaipur. In the process, we also deduced the objectives of the investment made by the respondents.

A. Most Desired Investment Avenue

Based on the responses received from our target group, we segregated the avenues preferred for investments into five categories. These are banks and post office savings deposits, insurance schemes, share market and mutual funds, real estate and finally bullion and ornaments. While these do not necessarily represent the investment playground as a whole in true sense, but these segments definitely are the most preferred drivers of investments made by people.

Savings Deposits with Bank and Post Office : Deposits with the banks and post offices are operated through savings accounts with them. This remains one of the core mechanisms of traditional savings pattern. Such savings are generally represented as the small scale savings with the investor looking for securing his savings than risking it in the market.

Investment model promoted by this sector includes schemes like, Public Provident Fund (PPF), National Savings Certificate (NSC) recurring deposits, fixed deposits, super savings account for the retired and senior citizens. There are around 1.5 lakh post office branches operational in the country. Some 8,000 public sector banks are presently offering the PPF scheme of investment to its account holders.

Insurance: Insurance is essentially the transfer of risk in monetarily quantifiable terms to a third party in exchange for periodic payment. By the standards of developed countries, Indian insurance sector still lags behind in extending risk cover to the people.

At the 5th Insurance Summit in Kolkata, organised by the Indian Chamber of Commerce in December this year, Sudhin Roy Chowdhury, Member (Life) of Insurance Regularity Development Authority (IRDA) said, “The LIC is currently enjoying 95 per cent of the present Pension market, which is a negligible portion of the total market potential,” he said. He further said that 24 life insurance companies and 26 non-life insurance companies are presently operating in India. The insurance market is set to realign in future with the centre looking to hike the cap on Foreign Direct Investment (FDI) to 49 per cent.

In another push to the investment sector, the finance ministry has recently proposed to include the health insurance premiums in Section 80C of the annual savings eligible for exemption instead of the section 80D in which it is currently placed. This allows for the tax-paying individual to have the entire amount invested in health insurance deducted in savings. Until now there was a cap on premium up to Rs 15,000 annually to be deducted as savings under health insurance.

Shares and Mutual Funds: Shares and mutual funds are two faces of the same coin. They are completely market-oriented investment options, with a section of thinkers even choosing to denounce this medium as gambling or speculation. But none can take away the fact that shares and mutual funds are rooted in the economy of a nation. Market sentiments deeply affect the share market and subject its positioning to vagaries within an intra-day trade.

A share is equity of company listed with a regulator that represents a stake of the equity holder in the said firm. The value of that equity is subject to company’s performance and the market risks within which it operates. A mutual fund, on the other, is a collection of investments such as stocks, bonds or other funds managed by a professional who pools in money from different investors and distributes the income and risk within the peer group. Financial institutions like banks and brokerage firms offer mutual funds to the investors in free market and entrust the money so collected with a fund manager who attempts to balance the risk and expected returns in a volatile market.

The underlying difference between shares and mutual funds is that in shares the person with the equity books profit and losses based on the calculated risk of his individual assessment. In mutual funds, however, the risk and the returns are distributed among the many investors who opt for a fund that is managed by a third party.

Real Estate: Realty has always remained a preferred investment sector. Unlike the share market, land and housing as investment options are less subjected to the vagaries of a free market. This is partly because of the disproportionate gap between the available dwelling units or landed property and the end user.

According to the Ministry of Housing and Urban Poverty Alleviation*, at the end of the 10th Five Year Plan (2007-08), total housing shortage in the country stood at 24.71 million dwelling units. Of this 21.78 million or 88.14% was represented by the Economically Weaker Sections (EWS). In 2013, housing shortage in the urban areas touched 18.78 million units, with 95% of the shortage in the economically weaker section of the society, a report by the National Housing Bank (NHB) said. The report was released by then Minister of Finance at the Centre, Namo Narayan Meena.

Because of this huge gap, real estate is perennially in demand fuelling an increase in the property prices and as a result making it a lucrative investment to be included in one's portfolio. The other benefit with this investment is that it can be put to use while its value appreciates or depreciates, unlike other forms of investments which are notional and not physical.

Bullion and Ornaments: Indian marriages are synonymous with it. Exchange of gold during nuptials has been rooted in our culture so much so that it has now developed into a preferred investment option much to the worry of the Union government which has been in the past attempting to restrict the import of gold and curb investments in the yellow metal as it tends to spike the Current Account Deficit (CAD).

Such is the fascination for the yellow metal in India, it is the second largest consumer of gold mined in the world after China. In 2013, to address the alarmingly high current account deficit (CAD), the government had hiked the import duty on gold to 10 per cent and introduced the 80:20 scheme, where nominated agencies could import gold provided they exported 20 per cent of the consignment*. Trade restrictions also stand imposed on gold being brought by travelers from abroad through airports.

Indian imports jumped to 710 tons between April 1 and November 15, compared with 640 tons in the 2013-2014 financial year. At present, the government controls bullion purchases through import tax limiting direct shipments to select banks and trading companies nominated by the Reserve Bank of India. Shipments from overseas are key to the local industry as the nation imports almost all the bullion it consumes.*

B. Income Wise Preferences For Investment Avenues :-

Table 1 provides information collated from the target group on their preferences and choice of an investment vehicle based on their income. The sample investors are categorized in four segments of income groups: Below Rs20,000 pm, Rs20,000-Rs25,000, Rs25,000-Rs30,000 and Rs30,000 and above.

Table 1 : Income Wise Preferences for Investment Avenues

S.No.	Income (per month)	Bank deposits	Insurance schemes	Shares/ mutual funds	Real Estate	Bullion & ornaments	Respondents
1.	<20000	10(41.6%)	06(25%)	03(12.5%)	01(4.1%)	04(16.6%)	24
2.	20000-25000	12(40%)	10(33.33%)	03(10%)	03(10%)	02(6.7%)	30
3.	25000-30000	15(41.6%)	11(30.5%)	04(11.1%)	04(11.1%)	02(5.55%)	36
4.	>30000	04(40%)	02(20%)	02(20%)	01(10%)	01(10%)	10
	Total	41	29	12	09	09	100

Source : Data Survey

The following observation may be made from the data provided in table 1:

1 .Bank deposits and post office deposits are chosen as first choice for any investment by all the four categories.

Observation: The data clearly shows that when it comes to investing their money, people of Jaipur are essentially conservative, preferring safety of their funds than risking it for higher profits. In almost all slabs

of income, bank deposits and post office savings schemes have turned out to be the denominator for savings clubbing almost 40 per cent of the total saving potential. This, therefore, furthers the argument that people of Jaipur and not just restricted to one or limited salary slabs are guided by the traditional investment schemes in spite of their low returns than other investments avenues that are guided by the market forces such as shares and mutual funds or real estate.

2. Insurance is a second most popular investment avenue for all the groups.

Observation: This is another investment segment where the people of Jaipur feel safe or consider their investment worth the deduction in their annual income. While insurance sector is still opening up in the country, the statistics bely the generally-held perception that insurance is no longer the go-to sector for the investors. The data shows clearly that insurance sector stands out as the second most preferred source of investment by the people in this city. It would require a detailed study and preferably a separate survey to understand the qualitative aspect of insurance as an investment vehicle. This would give us an idea about what kind of insurance people are buying (life, medical and health, education) and if it's against or is with the national trend of securing investments in life insurance policies.

3. Bullions and ornaments are third choice for income segment below 20,000 pm while for the other three categories it is the last thing on mind.

Observation: The survey throws up an interesting study here. Until now, all the income groups have behaved similarly when it comes to exercising their choice of investment in either bank and PO savings or insurance. But, when it comes to bullion, it seems, only the group on the last rung of the ladder goes for investment in the bullion. The other three segments also behave independently of others. The income groups between Rs 20,000 pm and Rs 30,000 per month are lured by the shares market and real estate, which we shall deal in the next observation. The inclination of the base-income group to invest in gold and ornaments is nurtured by their inherent push for security and traditional belief of parking money in gold for both consumption and savings. This belief is augmented by the salary structure which leaves little room for disposable income than other segments. So, liquidity-friendly gold steps in as their preferred investment avenue that options offering high rate of returns.

4. Real estate draws the same number of respondents from a lot of 100 chosen subjects as the bullion, but there is a demographic differentiator that separates them.

Observation: If the overall percentage of respondents opting for an investment vehicle is taken into consideration, then real estate, like the bullion is least preferred source of investment by the people of Jaipur. But if the four slabs of income are separately studied, then a different picture unfolds. While a minuscule percentage of the base income group (up to Rs 20,000 pm) goes for investment in the real estate sector, the other three income groups more or less take to investing in the property market for investment or higher rate of returns. Here, it's worth mentioning that the middle-income groups of Rs 20,000 pm to Rs 30,000 pm almost double their investments in real estate than bullion as their preferred source of investment. This can be attributed to two things: Better disposable income than the base-income group and the decision to go for higher rate of returns.

5. Shares and mutual funds come across as the third preferred avenue of investment for the Jaipur residents.

Observation: Shares and mutual funds represent the comparatively risky models of investment where the drivers of return are directly governed and affected by the market. Around 12 per cent of the total target group has shown the willingness to park their money in the volatile markets. The demographics come into play here as well, just like in the bullion sector. Barring the segment earning more than Rs 30,000 per month, the individuals in the three remaining income slabs behave in the same pattern when it comes to investing in this sector. Their collective savings fluctuates between 10-12 per cent of the total disposable income in the share market. Those earning more than Rs 30,000 per month are willing to pledge one-fifth of their disposable income in shares, which is a departure from the remaining income groups.

Objective of Investment

Various objectives act as a driver for the investor to choose an investment avenue. In their comfort, risk-bearing capacity, high priority goals (own house), long-term high priority goals (retirement plan) etc are investor's approach. The table given below shows the responses of the sampled investors and their objectives in order to factor in the microeconomic and economic factors that affect their decision making in the investment sector.

Table 2: Objectives of Investment

S.NO	VARIABLES	PERCENTAGE OF RESPONDENTS
1	Wealth creation	18%
2	Education	22%
3	Tangible dream (house, car, etc)	19%
4	Future needs (medical)	22%
5	Planning for retirement	15%
6	Others (marriage)	04%

Observation: The table above shows a trend that's taking shape in the investors' pool of Jaipur. Most people who are looking for avenues for investment are interested in securing their thirst for education or their kids' education and to park money for health care requirements in the future. Education as a major driver for investment, is a relatively new denominator and is an indication of where the individual preferences lie. Health is the other major derivative of this study. Together, the two of these objectives account for 44 per cent of the respondent's behaviour in the investments they choose.

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