

# Behavioural Finance: Investment Patterns of Financially Literate People in Indore City

Shashi Bhushan Mishra, Richa Darshan

*Department of Management Studies, Dr. A.P.J. Abdul Kalam University, Indore, Madhya Pradesh, India*

**Abstract** - The financial market offers a wide assortment of investments which vary from each other concerning the arrival, hazard and the holding up period. An investor must know about the merits and demerits concerning every venture channel to choose a course of investment plan. At the point when the financial literacy builds, the investor may take an educated choice about his or her investment portfolio, which will profit both the nation and also the individual investor. There are various investment options accessible today. Investment has been a movement kept to the rich and business class before. This can be credited to certainty that accessibility of investible assets is a pre-imperative to the organization of assets. Be that as it may, today with the developing income dimension of the general population investment has turned into a family unit word and is famous with individuals such as:

- a) Financial Securities
- b) Mutual Funds Schemes
- c) Real Assets

**Keywords** - Investment Patterns, Financial Literacy, Investors, Investment Decisions

## I. INTRODUCTION

Investment Patterns and Financial Literacy are a mix of money related mindfulness, learning, abilities, frame of mind and conduct of settling on sound budgetary choices and eventually accomplish individual financial objectives. Financial Literacy is relied upon to give the information to make normal people into educated and addressing clients of money related administrations. It is not just about business sectors and contributing, yet in addition about sparing, planning, budgetary arranging, managing an account and above all, about being financially smart. Financial Literacy is a mind boggling idea, and it is imperative to comprehend its full import. Actually, as a general public, we are yet to completely perceive the need and capability of budgetary education. Money related lack of education pervades over all dimensions of society and monetary strata. The idea of lack of education and its indications may differ, yet it gets reflected in the regular money related decisions that a large number of us make. The absence of fundamental learning about money related items and administrations and their hazard return structure is one normal example of budgetary ignorance that is generally watched. The avarice for higher returns in the end comes full circle into an emergency including bigger number of retail financial specialists. This essential exercise remains constant not only for an individual putting his well deserved

reserve funds in money related items, yet in addition for a bank or monetary organization that oversees open assets and channels them, either as investments or credits. In this way, energy about different parts of budgetary education and how it impacts our lives holds the way to judicious monetary arranging and welfare expansion, both-at the individual dimension and for the general public in general.

*1.1. Financial Literacy:* Financial literacy is the instruction and comprehension of different budgetary regions including themes identified with overseeing individual back, cash and contributing. This theme centers around the capacity to oversee individual fund matters in an effective way, and it incorporates the learning of settling on proper choices about budgeting, investing, tax planning, investment in insurance, real estate and retirement planning.

*1.2. Investment Options available:* A generous number of endeavor instruments available today. Fiscally proficient individuals picks a Proper Avenue among those available, dependent upon their specific need, chance execution and reestablish that are typical. Different endeavor streets can be widely groupings under the accompanying accessible alternatives:

- 1) Shares & Equities
- 2) Debts & Loans
- 3) Debentures
- 4) Company Fixed Deposit
- 5) Properties/ Real Estate
- 6) Fixed Deposits
- 7) Insurance
- 8) Post Office Savings
- 9) Gold/ Silver / Others

## II. OBJECTIVES OF THE STUDY

- a) To understand the financial literacy level of the individual investors in Indore City.
- b) To study the investment awareness among the people of Indore City
- c) To study the impact of financial literacy on investment patterns of individuals.
- d) To analyze the investment patterns for investment decision.

### III. RESEARCH METHODOLOGY

The exploration is elucidating in nature led to study the investment patterns of financially literate people in Indore City. The examination will be founded on both Primary and Secondary information sources. The essential information will be gathered through dissemination of 100 very much organized survey planned on Likert Scale among financially literate people in Indore city and customized Interview will likewise be directed. The auxiliary information will be gathered through past research papers, articles, money related reports and other distributed materials. The information so gathered will be dissected by Pie and Bar Charts, Graphs and other conceivable measurable investigation utilizing Statistical Package for the Social Sciences (SPSS) tool.

### IV. IMPLICATION OF THE STUDY

The conventional money related hypothesis says that the choices made by the investors are generally rational. More often than not, choices of investors are conflicting, or in others words we can say that psychological deceptions assume an indispensable role to occupy the investors' choices. Investors' inclination is frequently contemplated in light of the fact that specific choices are altogether influenced by their inclination or anticipated activities. The discoveries of this study will be an incredible help to existing investors, money related establishments, economic analysts, market researchers and additionally new investors to understand financial literacy and investment patterns in an improved manner.

### V. REVIEW OF LITERATURE

**Sanket L. Charkha and Jagdeesh R. Lanjekar (2018)** in their exploration about sparing and venture patterns of individuals in Pune (Maharashtra) City. They completed an examination on an example of 60 investors, they concluded that deposit with banks and investments in mutual funds are the most preferred avenues in Pune. They categorically found that awareness of investors are 73.30% and 26.70% investors are unaware while investment.

**Sonali Patil (2014)** considered favored endeavor streets among salaried earners in Pune. A model size of 40 individuals has been taken. The eventual outcome of finding exhibited 60% theorists thought about the endeavor streets while 40% were oblivious.

**V.R. Palanivelu and K.Chandrakumar (2013)** analyzed investment decisions of salaried class in Namakkal Taluk (Tamilnadu) with 100 respondents as an example estimate and it uncovers that according to Income dimension of workers, put resources into various roads. Age factor is additionally critical while doing speculations.

**Manish Mittal and Vyas (2008)** find out that investors are intellectual and enthusiastic which came in the method for

their choices of investment. In the course of recent years, social fund specialists have deductively demonstrated that speculators don't generally act reasonably. They have social inclinations that lead to orderly blunders in the manner in which they process data for venture choice. Numerous analysts have endeavored to arrange the financial specialists based on their relative hazard taking limit and the sort of speculation they make. Exact proof additionally proposes that elements, for example, age, pay, instruction and conjugal status influence a person's venture choice.

**Avinash Kumar Singh (2006)** the examination broke down the venture example of individuals in Bangalore city and Bhubaneswar and investigation of the investigation was embraced with the assistance of study technique. After investigation and translation of information it is presumed that in Bangalore financial specialists are more aware about different speculation roads and the hazard related with that.

*Research Design:* The study depends on exploratory examination just as illustrative investigation. The Descriptive research is here done to portray about the marvel. This examination is henceforth done to comprehend the venture conduct of the diverse monetary of financially literate people and their methodology for investing in available options of investment.

*Sample Size:* Total 102 people given their responses through online questionnaire prepared in Google forms for the survey in Indore City.

*Test (Sample) Techniques:* Sampling strategy is the method used to pick the precedent measure. Accommodating assessing technique used in this examination. Financial specialists were taken by the accommodation of the exploration think about.

*Test (Sample) Design:* As the data accumulated from investors, a survey has been set up through a well structured questionnaire for concentrate the sparing propensities and venture example of financially literature individuals in Indore.

### VI. COLLECTION OF DATA

The study/examination based on both primary and secondary information/ data collection methods. The essential information (Primary Data) have been gathered from the respondents through a very much organized questionnaire prepared in Google Forms and coursed among the respondents on their email and whatsapp. The examination was finished with the assistance of essential information utilizing the questionnaire as an instrument to survey the investment and its conduct. Since the essential point of the overview is to enable every single individual to list his or her conclusion about the investment avenues. A shut finished (close ended) survey was additionally arranged with all out a few qualities of credits to investigate and evaluate the general significance

of every one of the announcement on a five-point Likert scale. The auxiliary information (secondary data) was gathered through different networks and distributed information sources vis. books, journals, magazines, websites and so on.

The investigation on the favored investment options that are accessible and chosen among the financially literate people in Indore city has been embraced with the key goals of, for example, to discover favored speculation roads and furthermore to realize the mindfulness dimension of the speculators. Examination of this investigation was attempted with the assistance of study that was embraced and directed in the long stretch of November/ December 2018 to January 2019.

*Factual (Statistical) Tools used:* There are different measurable apparatuses which are utilized in breaking down information. Analysis and presentation of data has been made through:-

- (i) Tables
- (ii) Charts
- (iii) Percentage
- (iv) Diagram

VII. ANALYSIS OF DATA

a) *Chi-Square Test and Testing of Hypothesis No 01:*

**“There is no significant relationship between the Gender and the Investment awareness level”.**

Frequency Observed:

Gender	No. of Responses	Awareness	Awareness Percentage	Un-awareness	Un-awareness Percentage
Male	82	73	89.02%	9	10.98%
Female	20	17	85.00%	3	15.00%
<b>Total</b>	<b>102</b>	<b>90</b>	<b>88.24%</b>	<b>12</b>	<b>11.76%</b>

Chi-Square Test:				
O	E	(O-E)	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
73	72.353	0.647	0.419	0.006
9	9.647	-0.647	0.419	0.043
17	17.647	-0.647	0.419	0.024
3	2.353	0.647	0.419	0.178
			<b>Total</b>	<b>0.251</b>

$fe(1, 1) = (82 \times 90)/102 = 72.353$   
 $fe(2, 1) = (20 \times 90)/102 = 17.647$   
 $fe(1, 2) = (82 \times 12)/102 = 9.647$   
 $fe(2, 2) = (20 \times 12)/102 = 2.353$

*Level of Opportunity (Degree of freedom):*

$v = (r-1)(c-1), v = (2-1)(2-1), v = 1$

From the above table, calculation of Chi-squared score is 0.251, which is less than 3.841 (0.05 level significance as per Chi-square Table). **Null hypothesis is accepted.**

**Conclusion/Remark:** there is significant relationship between the Gender and the Investment Awareness level.

b) *Chi Square Test and Testing of Hypothesis No 02:*

**“There is no significant relationship between the Income Level and aware of the Investments”.**

Frequency Observed:

Sr. No.	Income Group	Awareness	Unawareness	Total
1	up to Rs. 20000	17	7	24
2	Rs. 20001 to 40000	33	2	35
3	Rs. 40001 to 60000	22	3	25
4	Above Rs. 60000	18	0	18
	<b>TOTAL</b>	<b>90</b>	<b>12</b>	<b>102</b>

Chi' Square Test				
O	E	(O - E)	(O - E) <sup>2</sup>	(O - E) <sup>2</sup> / E
17	21.176	-4.176	17.443	0.824
7	2.824	4.176	17.443	6.178
33	30.882	2.118	4.484	0.145
2	4.118	-2.118	4.484	1.089
22	22.059	-0.059	0.003	0.000
3	2.941	0.059	0.003	0.001
18	15.882	2.118	4.484	0.282
0	2.118	-2.118	4.484	2.118
			<b>TOTAL</b>	<b>10.637</b>

$fe(1, 1) = (24 \times 90)/102 = 21.176$   
 $fe(3, 1) = (25 \times 90)/102 = 22.059$   
 $fe(1, 2) = (24 \times 12)/102 = 2.824$   
 $fe(3, 2) = (25 \times 12)/102 = 2.941$   
 $fe(2, 1) = (35 \times 90)/102 = 30.882$   
 $fe(4, 1) = (18 \times 90)/102 = 15.882$   
 $fe(2, 2) = (35 \times 12)/102 = 4.118$   
 $fe(4, 2) = (18 \times 12)/102 = 2.118$

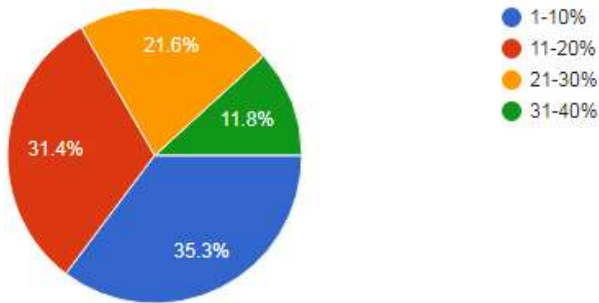
*Level of Opportunity (Degree of freedom):*

$v = (r-1)(c-1), v = (4-1)(2-1), v = 3$

From the above table, calculation of Chi-squared score is 10.637, which is greater than 7.815 (0.05 level significance as per Chi-square table). **Null hypothesis is rejected.**

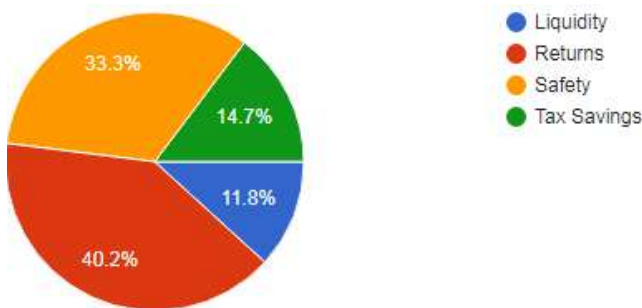
**Conclusion/Remark:** there is critical (significant) connection (relationship) between the earning/income level and awareness about the investments avenues.

**Savings of Financially Literate Individuals (Percentage wise)**



Range of Savings	Respondents	Saving Percentage
0-10%	36	35%
10-20%	32	31%
20-30%	22	22%
30-40%	12	12%
<b>Total</b>	<b>102</b>	<b>100%</b>

**Factors influencing while selecting Investment Avenues**

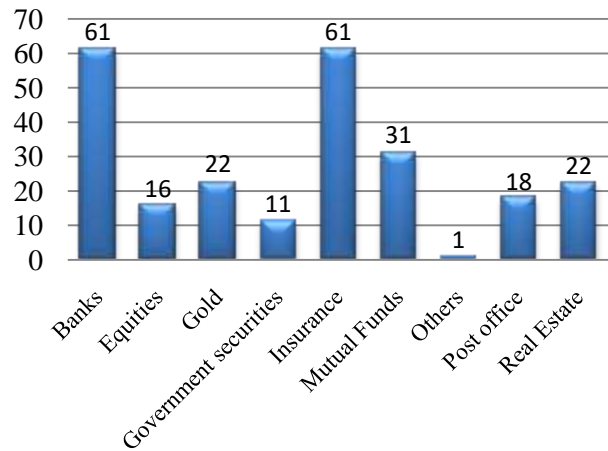


Sr. No.	Factors	No. of Respondents	Percentage
01	Liquidity	12	11.8%
02	Returns	41	40.2%
03	Safety	34	33.3%
04	Tax Saving	15	14.7%
	<b>Total</b>	<b>102</b>	<b>100%</b>

**Objectives of the Investment**

Sr. No.	Factors	No. of Respondents	Percentage
01	Retirement corpus	31	30.39%
02	Children's future	46	45.10%
03	Dream House	21	20.59%
04	Others	4	3.92%
	<b>Total</b>	<b>102</b>	<b>100%</b>

**Most Preferable Investment Avenues (Options)**



S.No.	Investment Options	Total Responses	Percentage
01	Banks	61	25.10%
02	Equities	16	6.58%
03	Gold	22	9.05%
04	Government securities	11	4.53%
05	Insurance	61	25.10%
06	Mutual Funds	31	12.76%
07	Others	1	0.41%
08	Post office	18	7.41%
09	Real Estate	22	9.05%
	<b>Total</b>	<b>243</b>	<b>100%</b>

Note: Since a portion of the investors have referenced more than one reaction, the reactions are dwarfed the respondents.

**VIII. COMPARATIVE ANALYSIS OF REVIEW OR SURVEY**

The study that was coordinated and reliant on data, was assembled it will in general be clearly seen that there is no association between gender and the level of awareness of different options available for investment. One can't express that either simply male or simply female are continuously careful about the investments.

It is also observed that there is quick association between the pay level and familiarity with the distinctive roads of the speculation. Deposits with banks, protection and mutual funds are the most favored wellsprings of ventures by the respondents in Indore City.

**IX. FINDINGS**

1. The study carried out through a survey on 102 financially literate people of Indore City and it

reveals that 88.24% respondents are aware while 11.76% are unaware about the investment.

2. There is no noteworthy connection between the Gender and the Investment mindfulness level as 89.02% and 85% among male and female respondents separately know about various speculation roads.
3. There is noteworthy connection between the pay level and consciousness of the ventures among respondents as nearly medium salary (monthly salary between Rs. 20001 to Rs. 40,000) class individuals are more mindful about various speculation roads than respondents with other pay class individuals.
4. It has been seen that out of 102 respondents, 79% respondents are of the sentiment that instructive capability consequences for choice of venture roads. It is discovered that on a normal 23% sparing from month to month salary is made by the respondents.
5. Return is the main consideration while doing speculations as 40.20% of the speculators are contributing their cash for better return of Investment and 33.30% financial specialists are putting their pay in expense sparing plan for tax cut purposes.
6. Investment with the Banks as fixed and recurring deposits are the first priority given by the investors are 25.10%, while investment with insurance and mutual funds are second and third choice of the investors in Indore City.
7. It has likewise seen that 40.20% and 25.49% of investors/ respondents want to make their speculation for month to month and yearly premise separately.

#### X. SUGGESTIONS

*"If you want to get rich, save whatever you get. Even a fool can earn money; but then it takes a wise man to save and to dispose of it to his own advantage." – B.Young.*

It is huge to spare your salary what you procure, to have a course of action for your future, and to restrict spending sponsors that you don't starting at now have. Regular save is also found as most upheld decision by the adolescents today. Enthusiasm for basic resources through the technique for Systematic Investment Plan (SIP) is a favored endeavor

elective by the youngsters. Mindfulness projects ought to be driven by stock broking firms, in light of the way that most of the respondents for instance speculators are feeling that these roads are hardship making and having can't avoid being having just a terrible memory return on it.

#### XI. CONCLUSION

On the above investigation and translation of information, it is presumed that the people of Indore city are exceptionally very much aware about investment that are accessible in Indore city, yet at the same time investors are wanting to put their savings in banks as fixed deposits or other term deposits, insurance and mutual funds. The investigation of research uncovers that the security is worried as imperative factor while doing venture, so remaining choices are discovered less significant while doing speculation by investors. In a city like Indore where land is dependably on the high or up because of National level institutions like IIT and IIM, Devi Ahilya University, SGSITS, NMIMS, Symbiosis University including 8 private universities and more than 250 colleges, this is not at all awful venture alternative, however there is no settled return and the hazard and measure of speculation is high.

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