

ABSTRACT

The present paper is an attempt to have an insight into the influence of five key attributes that is Safety of principal, Liquidity, Stability of Income, Capital Growth and inflation resistance on the investment decisions of individual stock investors of Punjab while choosing a particular investment and also identifies their major investment objectives. Additionally, the study gauges if there is any significant difference in the investment objectives of investors across their age groups. A pre-tested, well structured questionnaire was administered personally to 200 individual stock investors in Punjab and their responses were sought in terms of frequencies, percentages and weighted average scores. Chi-square test has been applied to test the difference between investment objectives across age groups. Gold is found as the highly preferred investment among individual investors in Punjab for four attributes that is safety of principal, liquidity, capital growth and inflation resistance revealing that they consider gold as most effective investment which is better on each of the above mentioned attributes than all the other potential investments. However, securities market is second highly preferred investment for three attributes that is liquidity, capital growth and inflation resistance but as far as attributes such as safety of principal and stability of income are concerned, bank fixed deposits is the second most preferred investment by individual stock investors for these attributes. Retirement planning is found as the major objective of individual stock investors of Punjab for making investments. The above findings will be helpful for the financial service providers in offering more effective advice to the investors by understanding their current stated investment objectives and the importance of key attributes to them while choosing among various investment options.

Keywords: Individual Stock Investors, Key Attributes, Investment Objectives, Weighted Average Scores, Chi-Square Statistics

An Elucidation of Investment Preferences and Investment Objectives of



Individual Stock Investors of *Punjab*

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INTRODUCTION

The economic development of any country depends upon the existence of a well-developed financial system. It is the financial system which supplies the necessary financial inputs for the production of goods and services that in turn promote the well being and standard of living of the people of a country. The major assets traded on the financial system are money and monetary assets. The responsibility of the financial system is to mobilize savings in the form of money and monetary assets and invest them in productive ventures (Shaikh, R. A. and Kalkundarikar, B. A. 2011).

The growth and development of the country has shown the way to greater economic prosperity which further has led to the introduction of vast areas of financial investments. Since the economic liberalization there is an increase in number of investment avenues available for retail investors. In the current scenario, an investor is willing to invest in several instruments like corporate stock, life insurance, bank fixed deposits, real estate and various government schemes etc. But, however, their choice of investment depends upon their objective of investment which differs from individual to individual depending on the knowledge and personal factors of an investor.

Unlike any consumer goods, the investments have several distinct characteristics. Investment products have their own value and can be further sold, pledged at different period of the time and places (Kumar S. K. et.al, 2008). While choosing a specific investment, investors need to understand and know regarding the features their investments should possess. There are several investment features which an investor need to consider such as risk, return, safety of principal, marketability, Concealability, Capital growth, stability of income etc. While making investment decisions, the features desired in an investment should be consistent with the investor's general objectives. An intelligent investor is the one who makes the definite ideas regarding the features which their portfolio should possess and take smart decisions by investing as per their objectives.



LITERATURE REVIEW

Kiran D. and Rao (2004) identified the investor segments on the basis of their demographic characteristics and psychographic characteristics. Out of 200 questionnaires administered all over India, 96 responses were received. Multinomial Logistics Regression and Factor analysis were applied to the data. The relationship between the risk taking ability and the demographic and psychographic variables was analyzed. The six parameters that is safety, liquidity, long term capital appreciation, high short term returns and risk coverage affected the risk bearing capacity of the investors. The authors stated that such analysis could help the investment designers to specifically target particular segments.

Nagpal, Sushant and Bodla, B.S. (2007) attempted to understand the individual investor's pattern of investments and analyzing the investor's preferences for various investment alternatives across the demographic and psychographics dimensions. The survey was limited to the

urban areas of Haryana, Delhi and Chandigarh. The study brought out that the highest percentage of investors that is 86.29% invested in insurance policies followed by investments in fixed deposits with banks or post offices and then EPF/PPF and NSC. The authors found three segments of investors that are aggressive, moderate and conservative investors on the basis of their lifestyles. Kumar, S.K. et.al (2008) studied the investment preferences of Tiruchirapalli investors to rank their product preferences among investment choices that is post office savings, bank deposits, gold, real estate, equity investment, mutual fund. The preferences of the respondents were known according to their attributes that is safety of principal, liquidity, stability of income, capital growth, tax benefit, inflation resistance and Concealability. The Analytical hierarchy process and multi criterion decision-making was applied on the collected data to achieve results. The authors studied this concept as they found that the investors are unlikely to determine the investment preference that is which is better on each attribute.

Kabra et.al (2010) studied the various factors that influenced investment risk tolerance and decision making process among men and women and among different age groups. The authors observed the behavior of various types of investors working in the government or private sectors in India. The major variables considered for the study were investing background, opinion, leadership, duration of investment, awareness of investments and security. The authors concluded that risk averse people opted for insurance policies, fixed deposits with banks, post office, PPF and NSC. It was also found that the investor's age and gender affected their risk taking capacity.

Shaikh, R., A. and Kalkundarikar, B. A. (2011) assessed the behavior of retail investors in Belgaum district of Karnataka state, identified their objective of investment. They found that the knowledge level had a significant impact on the returns on the investments and there is a negative correlation between the occupation of retail investor and the level of risk which was identified by applying correlation analysis. Regular income was found as primary objective among Belgaum investors.



NEED AND OBJECTIVES OF THE STUDY

The need for the study arises, as in Punjab; the research focusing on identifying ranking preferences of the Individual stock investors for the investment on the basis of the major attributes has not been studied so far. So, the present study aims to fulfill the gap with following objectives:

- To identify the ranking preference of the various investment options on the basis of five attributes that is Safety of principal, Liquidity, Stability of Income, Capital Growth and Inflation Resistance.
- To identify the objective of investment of the individual stock investors in Punjab.
- To explore whether there is any significant difference in the objective of investment across the age groups of investors in Punjab.



DATA BASE AND RESEARCH METHODOLOGY

The present study is mainly based on primary data collected from 200 individual stock market investors from Punjab. These investors were interviewed through a pre-tested, well structured questionnaire which was administered personally. Convenience sampling technique has been used keeping in view the socio-economic characteristics. The responses of the investors were sought for identifying the ranking preferences for seven major investment options on the basis of five attributes on a five point likert scale ranging from Most Important to least important. However, the objective behind making investments is also sought out on a scale ranging from Most Important to least important and relationship between age and objective of investment has also been analysed. To analyze the responses, weights were assigned to these responses (5 for Most Important, 4 for important, 3 for Indifferent, 2 for Unimportant and 1 for Least Important). Weighted Average Scores and Chi-square test are the statistical analysis used to carry out results.



INVESTMENT SELECTION CRITERIA

Most often the investment selection happens based on the input from the environment and one's own understanding of various strengths and weaknesses of the investment. Most of the researchers classify the investment preference according to the return on investment and the risk associated with it. At a bird's eye view, the above mentioned two items are considered while selecting a investment, but however a more elaborate set of criteria are used in preferring a investment which are rarely studied (Kumar S. K., 2008). Table 1 presents the final set of five key attributes considered in the study.

Table 1: Key Attributes as Criteria in Choosing Investments

key Attributes	Description
Safety of Principal	Protection mechanism against loss under reasonable conditions that is principal amount and expected rate of return protection.
Liquidity	Converted into cash without delay at short notice of time and the investment is easily realizable, saleable or marketable.
Stability of Income	Uniform, assured and constant return to meet the investor needs.
Capital Growth	Appreciation in the capital value.
Inflation Resistance	The return from the investment beats the prevailing country's inflation.

Preferably, an investor would be keen to have all the above elements present in an investment but simultaneously, for an investor, it is not possible to find an investment which is better on each of the above mentioned attributes than all the other potential investments. Hence, the choice has to be made by an investor on the basis of what is available and identify his own ratings of the attributes and seek out the financial investments in the basis of their own priority ratings.



RESULTS AND DISCUSSION

The respondents rated the preferences for a investment on the basis of the above mentioned five key attributes. A description of these in terms of frequencies, percentages, weighted average scores is given below. However, ranks have been assigned according to each preferred investment by the respondents as per their respective weighted average scores.

Table 2: Safety of Principal and Investments

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Securities Market	16	22	81	57	24	2.75	6
Gold	122	76	2	0	0	4.60	1
Government Schemes	44	122	30	4	0	4.03	3
Mutual Funds	1	32	64	84	19	2.56	7
Real Estate	60	80	21	20	11	3.83	5
Bank Fixed Deposits	99	60	35	3	3	4.25	2
Insurance	43	114	39	3	1	3.98	4

It is found that investors in Punjab rank gold as their first preference with a WAS of 4.60 as regards safety of principal. . Subsequently, they place bank fixed deposits as their second preference with a WAS of 4.25 followed by investments in Government Schemes as their third preference with a WAS of 4.03 as a protection of principal mechanism. However, investors rank insurance and real estate at fourth and fifth with regard to safety of principal. Investment in Securities market and Mutual Funds is ranked lowest for the attribute safety of principal.

Table 3: Liquidity and Investments

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Securities Market	85	76	24	3	12	4.10	2
Gold	120	79	1	0	0	4.62	1
Government Schemes	20	85	95	0	0	3.63	3
Mutual Funds	8	29	81	56	26	2.69	5
Real Estate	16	66	20	55	43	2.29	7
Bank Fixed Deposits	2	42	67	69	20	2.69	4
Insurance	0	7	69	105	19	2.32	6

It is found that investors in Punjab rank gold as their first preference with a WAS of 4.62 concerning liquidity which reveals that they consider gold to be most liquid whenever cash is required. Investing in Securities market with WAS of 4.10 is ranked as second preference for liquidity followed by Government Schemes as third preference. Subsequently, they rank bank fixed deposits, insurance, mutual funds and real estate with WAS of 2.69, 2.69, 2.32 and 2.29 respectively as least preferred as far as liquidity is concerned.

Table 4: Stability of Income and Investments

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Securities Market	38	69	60	18	15	3.49	4
Gold	2	3	43	81	71	1.92	7
Government Schemes	0	38	98	58	6	2.84	6
Mutual Funds	9	71	96	20	4	3.31	5
Real Estate	33	97	54	14	2	4.35	1
Bank Fixed Deposits	86	95	14	2	3	4.30	2
Insurance	33	97	54	14	2	3.73	3

As far as stability of income is concerned, investors rank real estate with WAS of 4.35 as first preference, bank fixed deposits with WAS of 4.30 as second preference followed by insurance and securities market with WAS of 3.73 and 3.49 respectively as third and fourth preference. However mutual funds, Government Schemes and gold are placed as least preferred as regards stability of income. This reveals that most of investors in Punjab prefer a stable income through rent from real estate and interest from fixed deposits.

Table 5: Capital Growth and Investments

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Securities Market	101	66	25	7	1	4.30	2
Gold	108	82	10	0	0	4.49	1
Government Schemes	0	10	38	105	47	2.06	7
Mutual Funds	52	101	43	4	0	4.01	3
Real Estate	54	106	30	5	5	4.00	4
Bank Fixed Deposits	34	53	61	49	3	3.33	5
Insurance	4	63	91	37	5	3.12	6

When rating investments for attribute capital growth, investors rated gold with WAS of 4.49 as their first preference, securities market as second preference and real estate at third place in lieu of appreciation in the capital value of the investment. However, mutual funds are preferred at fourth place followed by bank fixed deposits, insurance and Government Schemes at fifth, sixth and seventh rank.

Table 6: Inflation Resistance and Investments

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Securities Market	58	65	36	18	23	3.59	2
Gold	139	61	0	0	0	4.70	1
Government Schemes	16	33	103	40	8	3.05	4
Mutual Funds	0	1	50	97	52	2.00	7
Real Estate	57	63	29	40	11	3.58	3
Bank Fixed Deposits	34	44	44	42	36	2.99	5
Insurance	9	39	51	57	44	2.56	6

Table 6 reveals that the ranking preference of investments on basis of inflation resistance, gold is ranked as their first preference with a WAS of 4.70 in order to beat the inflation. To be precise, they consider inflation resistance most effective when investing in gold. Subsequently, they rank securities market as their second preference with a WAS of 3.59 as regards the inflation resistance, followed by investments in real estate as their third preference with a WAS of 3.58 to beat the inflation. However, investors are neutral towards investing in Government Schemes, bank fixed deposits and insurance as they are ranked at fourth, fifth and sixth position with WAS of 3.05, 2.99 and 2.56 respectively by individual investors in Punjab with regard to inflation resistance as a variable while taking investment decisions. Mutual funds with WAS of 2.00 have been ranked lowest at seventh position that is the individual investors in Punjab feel that such investments do not have the power to beat the inflation in future, as a result such investment is least preferred by them as regards the inflation resistance variable.



OBJECTIVE OF INVESTMENT

An investment is an important and useful factor in the context of present day conditions. Investment decisions have become more significant as most people in India retire between the ages of 56 to 60. So, the individuals have to plan how to save their money. Saving by themselves does not

increase wealth, saving must be invested in such a way that the principal and income will be adequate for a greater number of retirement years. Longer life expectancy is one reason for effective saving and further investment activity that help for investment decisions. When tax rate is increased, it will focus for generating saving by tax payer. When the tax payer invest their income into Government Schemes like provident fund, pension fund, Unit Trust of India, Life Insurance, Unit Linked Insurance Plan, National Saving Certificates, Development Bonds, Post Office Cumulative Deposit Schemes etc., it affects their taxable income. Interest rate is one of the most important aspects of a sound investment plan. The interest rate differs from one investment to another. There may be changes between degree of risk and safe investments. They may also differ due to different benefit schemes offered by the institutions. A high rate of interest may not be the only factor favoring the outlet for investment. Stability of interest is another important aspect of receiving a high rate of interest. In addition, Inflation has become a continuous problem which affects in terms of rising prices. Investor needs to get ensured to check up for safety of the principal amount and security of the investment. Both are crucial from the point of view of the interest gained from the investments. More incomes and more avenues of investment have led to the ability and willingness of working people to save and invest their funds. Hence, this implies that there is an objective behind making investment decision. So, the table below (Table 7) portrays the investment objectives of the individual stock investors in Punjab.

Table 7: Investment Objectives of Individual Investors

Investments	M. Imp (Freq.)	Imp. (Freq.)	ID (Freq.)	Unimp (Freq.)	L. Imp (Freq.)	WAS	Rank
Retirement planning	103	59	22	15	1	4.24	1
Meeting future contingencies	48	74	42	16	20	3.57	2
Purchasing of assets	12	29	51	71	37	2.54	9
Tax considerations	23	67	61	24	25	3.20	5
For Children's education	19	43	89	39	10	3.11	6
Hedging against inflation	49	68	38	25	20	3.51	3
Earnings short term gain	48	62	42	37	11	3.50	4
Regular income in form of interest, dividends	29	50	54	40	27	3.07	7
Medium term capital appreciation (greater than 6m but less than 2yrs)	18	52	49	47	34	2.87	8
Long term capital appreciation (greater than 2 yrs)	5	32	31	81	51	2.30	10
For Children's marriage	4	10	7	52	127	1.56	11

Table 7 reveals that the individual stock investors in Punjab rank retirement planning with WAS of 4.24 as their first major objective towards making investment, followed by meeting future contingencies and hedging against inflation as their second and third objective respectively. Subsequently, earning short term gain, tax considerations, children's education and earning regular income in form of interest dividends is among fourth, fifth, sixth and seventh objective respectively. However, medium term capital appreciation, purchasing of assets, long term capital appreciation and children's marriage are among least important objectives towards making investments.



DIFFERENCES IN INVESTMENT OBJECTIVES ACROSS THEIR AGE GROUPS

The study also explores whether there is any significant difference in the investment objectives of respondents as per their age. To analyze that whether age exert a significant impact on objective of investment across different age groups, chi-square test has been applied.

So, the hypothesis to be tested here is:

H_{0a} : There is no Significant Difference in Investment Objectives Across the Age Groups of the Individual Investors of Punjab.

The sample respondents are categorized into four classes according to their age. These are (i) Upto 30 years- young investors. (ii) 30 to 45 years- lower middle age group (iii) Above 45 to 60 years- upper middle age group (iv) above 60 years- retired group. Table 2 shows the results regarding investment objectives of the individual stock investors in Punjab for according to their age. It is found that the young investors place.

The chi-square statistic also reveals that there is no significant difference in investment objectives of the investors across various age groups for six objectives that is Retirement planning, Purchasing of assets, Medium term capital appreciation (greater than 6m but less than 2yrs), For Children's education, Hedging against inflation, Tax considerations as hypothesis stands accepted for these objectives. On the other hand, chi-square statistic reveals that there is significant difference in the investment objectives across various age groups for five objectives that is Meeting future contingencies, Earnings short term gain, Regular income in form of interest, dividends, Long term capital appreciation (greater than 2 yrs), For Children's marriage where hypothesis stands rejected for these objectives.

Table 8: Investment Objective and Age of Investors

Investment Objective		Upto 30 years (No. of respondents)	30-45 years (No. of respondents)	45-50 years (No. of respondents)	Above 60 years (No. of respondents)	Chi-squared statistic	Null Hypothesis
Retirement planning	MImp/Imp	31/23	41/21	25/1	10/10	0.222	Accepted
	N	6	11	2	3		
	Unimp/Limp	7/0	6/0	1/1	1/0		
Meeting future contingencies	MImp/Imp	19/28	22/30	6/14	1/2	0.000	Rejected
	N	9	21	6	6		
	Unimp/Lim	7/4	3/3	1/3	5/10		
Purchasing of assets	MImp/Imp	5/11	5/13	2/2	0/3	0.836	Accepted
	N	14	19	8	10		
	Unimp/Limp	24/13	27/15	12/6	8/3		
Tax considerations	MImp/Imp	5/24	12/25	2/11	4/7	0.906	Accepted
	N	20	25	10	6		
	Unimp/Limp	7/11	10/7	3/4	4/3		
For Children's education	MImp/Imp	6/17	6/15	4/5	3/6	0.831	Accepted
	N	24	39	16	10		
	Unimp/Limp	15/5	15/4	4/1	5/0		
Hedging against inflation	MImp/Imp	15/26	20/28	9/8	5/6	0.521	Accepted
	N	9	18	4	7		
	Unimp/Limp	8/9	7/6	7/2	3/3		
Earnings short term gain	MImp/Imp	23/22	17/28	1/1	7/11	0.000	Rejected
	N	11	20	6	5		
	Unimp/Limp	10/1	10/4	16/6	1/0		
Regular income in form of interest, dividends	MImp/Imp	9/19	17/18	0/6	3/9	0.067	Rejected
	N	16	21	8	7		
	Unimp/Limp	12/11	18/5	9/7	1/4		

Investments		Upto 30 years (No. of respondents)	30-45 years (No. of respondents)	45-50 years (No. of respondents)	Above 60 years (No. of respondents)	Chi-squared statistic	Null Hypothesis
Medium term capital appreciation (greater than 6m but less than 2yrs)	MImp/Imp	8/15	6/23	3/7	1/7	0.958	Accepted
	N	14	19	9	7		
	Unimp/Limp	19/11	17/14	7/4	4/5		
Long term capital appreciation (greater than 2 yrs)	MImp/Imp	4/2	1/7	0/2	0/21	0	Rejected
	N	27	2	1	1		
	Unimp/Limp	8/26	69/0	3/24	1/1		
For Children's marriage	MImp/Imp	2/1	2/6	0/2	0/1	0.022	Rejected
	N	4	3	0	0		
	Unimp/Limp	16/44	20/48	15/13	1/22		

Significant (p<0.10), **Significant (p<0.05), ***Significant (p<0.01)



MANAGERIAL IMPLICATIONS

The study focuses on identifying the influence of five key attributes that is Safety of principal, Liquidity, Stability of Income, Capital Growth and Inflation Resistance while investing in a particular investment. This above finding will be very useful to the financial services marketing companies in redesigning their product or highlighting their product with respect to the core expectations of the investors as regards to attributes. Further, the public sector undertakings like the nationalized banks and the Government of India operating post office saving schemes and Insurance companies can improve their own products concerning these attributes and compete with other products available in the market using the result. However, the present study also identifies the objective of investors behind making investment and identifies the differences in objectives of investors across their age groups. The results derived will provide implications to financial service providers understand the individual investors and their investment preferences as per their objectives.



CONCLUSION

The present study is an exploratory study for understanding the influence of five key attributes on the decisions of individual investors in Punjab towards preferring a particular investment from a list of seven major investment options provided to them and identify the ranking preferences

of investor's on basis of such attributes. For four attributes that is safety of principal, liquidity, capital growth and inflation resistance, gold is found as the highly preferred investment, revealing that the individual stock investors in Punjab consider gold as the most effective investment on each of the above mentioned attributes than all the other potential investments. However, securities market is placed at second rank for three attributes that is liquidity, capital growth and inflation resistance but for attributes, safety of principal and stability of income, individual stock investors in Punjab prefer bank fixed deposits as the second highly preferred investment. The investors stated retirement planning as their first major objective followed by meeting future contingencies and hedging against inflation earning short term gain, tax considerations, for children's education and earning regular income in form of interest dividends. However, medium term capital appreciation, purchasing of assets, long term capital appreciation and children's marriage are among least important objectives towards making investments. The chi-square statistic revealed that there is no significant difference in investment objectives of the investors across various age groups for six objectives that is Retirement planning, Purchasing of assets, Medium term capital appreciation (greater than 6m but less than 2yrs), For Children's education, Hedging against inflation, Tax considerations but there is found a significant difference in the investment objectives across various age groups for five objectives that is Meeting future contingencies, Earnings short term gain, Regular income in form of interest, dividends, Long term capital appreciation (greater than 2yrs) and for Children's marriage.

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