A Study on Preference towards Safe Investment Avenues in India

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Abstract

Investors mainly want greater returns from riskier expenses. When we create a reduced risk contribution, the return is too mainly reduced. Investors, specifically pupils, are frequently considered to select the financing plan and expand their case. Diversification has the mathematical effect of lowering overall risk.Investors look into various factors before investing their money namely the lock in period, minimum amount required to invest, return on investment, risk associated, any tax benefit available, etc.Many investors who are low risk takers with low-risk appetite or salaried or retired persons, prefer safe investments where they get safety of principle and also tax benefits.There are various safe investment options in India namely Fixed Deposits, Recurring Deposits, Public Provident Funds, Atal Pension Yojana, Senior Citizen Saving Scheme, etc.

Keywords: Diversification, lock-in-period, return on investment, risk associated

Introduction

Investment is the use of services for acquiring more services. It is the sacrifice of current use. Investment is the service of collaterals accompanying the aim of obtaining return on it. An understanding of the centre ideas and an all-encompassing reasoning of the alternatives can help a financier construct an envelope that maximizes returns while minimizing risk uncovering.In finance, the benefit from a loan is named a return. The return concede possibility contain a gain (or deficit) realised from the auction of possessions or an expenditure, unrealised capital recognition (or devaluation), or loan revenue in the way that profits, interest, rent profit etc., or a blend of capital gain and pay. The return grant permission too involve cash gains or deficits on account of changes in foreign bills exchange rates.

Numerous financial institutions run by the Central Government, State Governments, and rural organizations have promoted the expansion of savings and investment in India. Numerous savings plans are available from the Life Insurance Corporation and Unit Trust of India, which also provide tax advantages. The Industrial Development Bank of India (IDBI), Industrial Credit Investment Corporation of India (ICICI), and Industrial Finance Corporation of India (IFCI) are among the well-organized network of development banks that are in addition to these. At the state level, there are State Financial Corporations and the National Bank of Agriculture and Rural Development (NABARD), which are dedicated to agriculture and rural areas.

In the past, banks and the postal service in India provided typical financial items. However, a variety of financial products, including bonds, shares, mutual funds, derivatives, and debentures, have been developed in recent years. The development of the private corporate sector began in 1991. The private sector has seen the emergence of numerous new financial institutions. Private finance agencies now have access to insurance companies, mutual funds, venture capitalists, and leasing firms. Foreign banks are now permitted to operate. As a result, there are numerous organizations and businesses that direct the money in beneficial ways.

Literature Review:

Baig Asif (2017) studied the investment chance within the equity, the client investment in share market and trade goods market, the investors' viewpoints on various investment options and, consequently, recommendations for financial services and investment avenue marketers.

Chopra Vaibhav (April 2020) makes an attempt to spot importance of demographic factors like gender, age, education, occupation, financial gain influencing investor's call of investment. It conjointly makes an attempt to know factors thought of whereas investment like safety of principle, return, risk, tax thought, liquidity, maturity amount and plenty of additional.

Kumar Gokul (2018) study has created a trial to grasp the pattern of individual investor's investment, their ways whereas finance and their expectation from the investment created by them and in fact their demographic options.

Kumar Prashant (2020)Proven financial literacy is important to all investors, and as a result, the economy is developing because of the rising demand for money market investments, the sophisticated environment, and the rise in trading, fraud, and malpractice. In light of this, measures should be taken to protect investors' interests.

Mishra Mamta (June 2020) analysed on numerous Investment avenues offered in Asian nation. During this analysis, we have a tendency to study 3 investment avenues are equity's, investment company, Bank FD's. Its distinctive nice choices to the investors to place their cash in a very wealth avenue for stunning financial gain.

MushirNikhat (February 2021)sharply wedged the money markets. Investors now allocate their assets based on altered expectations of risk and return. The study looks at how investors felt about different investment options both before and after the COVID-19 epidemic generated the most uncertainty.

Rath Ashok (July 2017)evaluated how investment banks contribute to the expansion of the New Delhi market, which can finally be done by looking at the relationship between capitalists and the capital market. The investing business has come under fire for a variety of reasons, including alleged conflicts of interest, excessive compensation packages, cartel behavior, taking sides in deals, and more. The secrecy of investment banking has also drawn criticism.

Aims and Objectives

1. To get an overview on the safe investment avenues available in India.
2. To know the relation between monthly income of respondents and their percentage of amount invested in safe investments.

3. To study the factors determining the respondents' choice of safe or risky investment.
4. To study the factors determining the respondents' reason (low risk appetite or tax benefits) to choose safe investment.
5. To study the factors determining the respondents' percentage of investment invested in safe investments.

Research Methodology

Both primary and secondary data were employed in this study's research technique. The primary data helps address targeted issues and streamline the research as far as its objective and scope is concerned.The sample size is 101 respondents. The questionnaire is used to collect the primary data from people who gave their inputs and preferences towards the safe investments. The questionnaire consisted of demographic/ personal data like the respondent's age, gender and occupation followed by questions that showed their preferences in the matter of investments. The secondary data, which provides an overview of the safe investment opportunities in India, is sourced from a number of journals and websites.The different tools used to collect and analyze data are:Questionnaire, Bar Graph, Pie Chart, Correlation, Chi Square and ANOVA. A Hypothesis is a possibility that a particular condition or statement is true, which we can then test.Whenever a test is conducted, the Null Hypothesis (H0) always asserts that there will be no correlation or effect between the variables, whereas the Alternative Hypothesis (H1) asserts that there will be.

Results and Discussions

A study was conducted using questionnaire on Google Forms and data was received from 101 respondents who gave their preferences and opinions on Safe Investments in India and answered various questions starting from their personal data on age and occupation followed by questions related to their pattern of investments and preference towards safe investments. The following shows what the result of the same was.
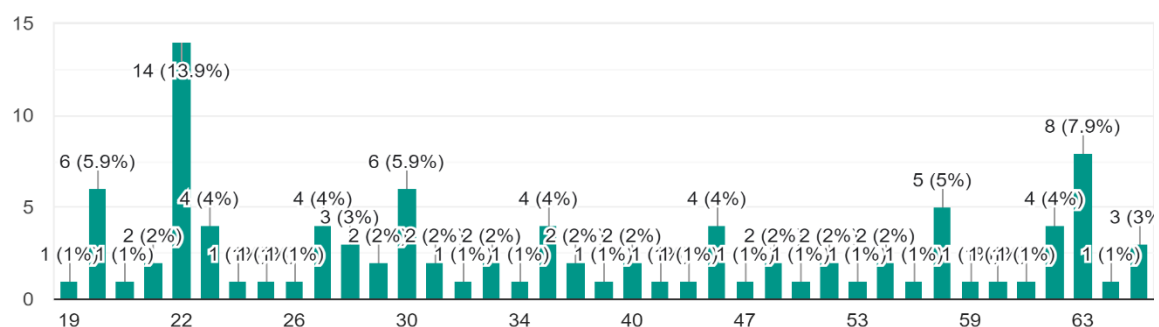

Figure 1: Age of respondents. Source: Google form.

Interpretation: Here, as the bar diagram shows maximum people answering the questionnaire belonged to the age of 22 years (13.9%) and the age of 63 years (7.9%). It covers respondents from 19 years to 80 years of age.
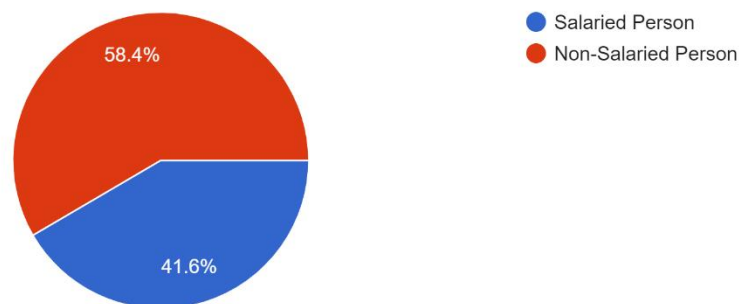

Figure 2: Occupation of respondents. Source: Google form.

Interpretation: Here, as the pie diagram shows the maximum people answering the questionnaire were Non salaried persons which includes self-employed people (58.4%) and salaried persons being 41.6%.
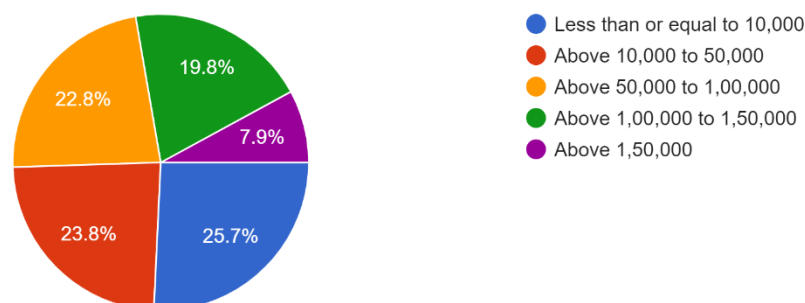

Figure 3: Monthly Income of respondents. Source: Google form.

Interpretation: Here, as the pie diagram shows the maximum people answering the questionnaire are having monthly income less than or equal to 10,000/- (25.7%) followed by monthly income above 10,000/- to 50,000/- (23.8%) and lastly by people having monthly income above 1,50,000/- (7.9%).

4. What is your gender?

101 responses
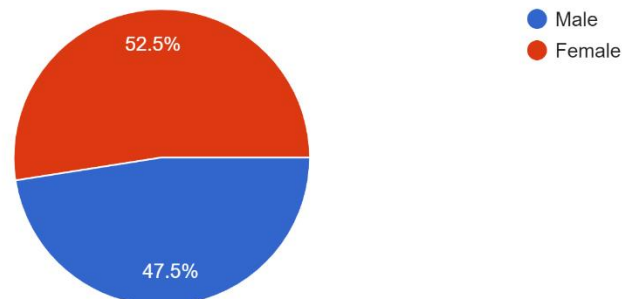
Figure 4: Gender of respondents. Source: Google form.

Interpretation: Here, as the pie diagram shows the maximum people answering the questionnaire were Female (52.5%) and Male being 47.5%.

5. Do you invest your savings?

101 responses

Figure 5: Investment of Savings Decision of respondents. Source: Google form.

Interpretation: Here, as the pie diagram shows the maximum people invested their savings being 86.1% whereas 13.9% respondents do not invest their savings.

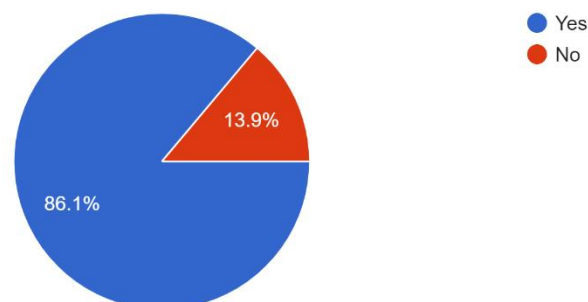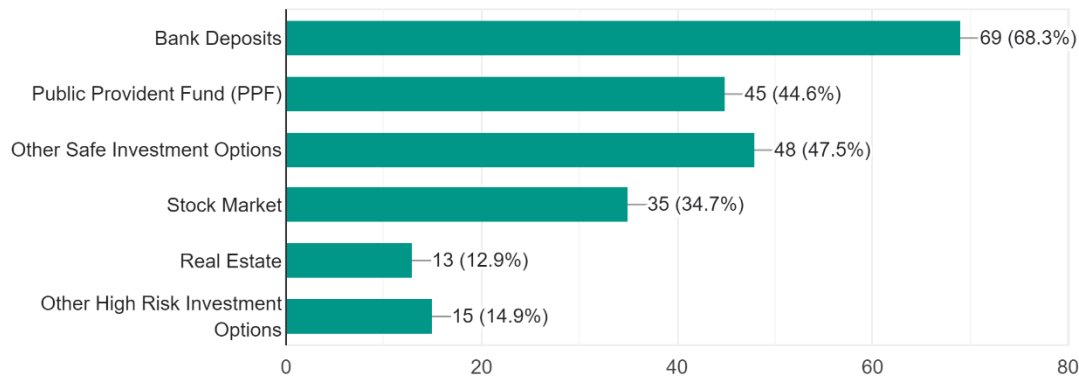## 6. Which options you prefer for investing?
101 responses

Figure 6: Investment Preference of respondents. Source: Google form.

Interpretation: Here, as the bar diagram shows the maximum people preferred Bank Deposits (68.3%) followed by Other safe investment options (47.5%), Public Provident Fund (44.6%), Stock Market (34.7%), Other high risk investment options (14.9%) and lastly Real Estates (12.9%) for investing purpose.

7. Which are the priority factors you see before investing?
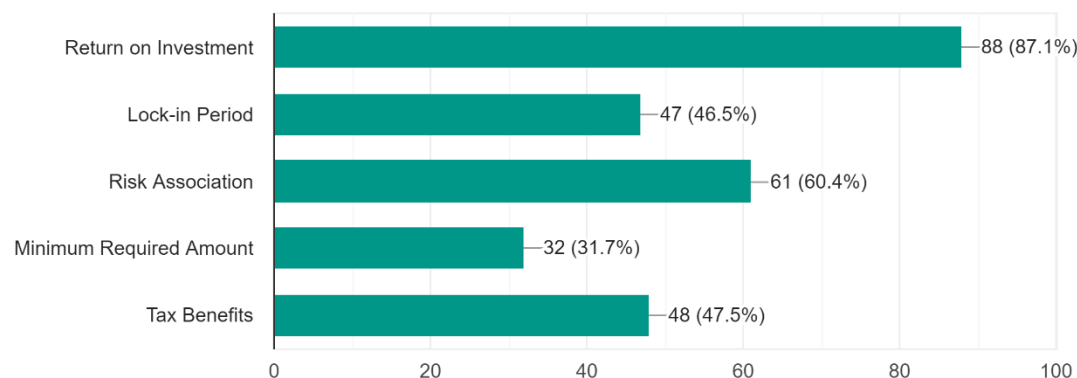101 responses

Figure 7: Factors seen before Investing. Source: Google form.

Interpretation: Here, as the bar diagram shows the maximum people see the Return on investment (87.1%), followed by risk associated with the investment (60.4%), Tax benefits (47.5%), Lock in period of investment (46.5%) and lastly Minimum required amount for investment (31.7%) before making an investment.

8. How much percent of your total investment portfolio you invest in safe investments?
101 responses
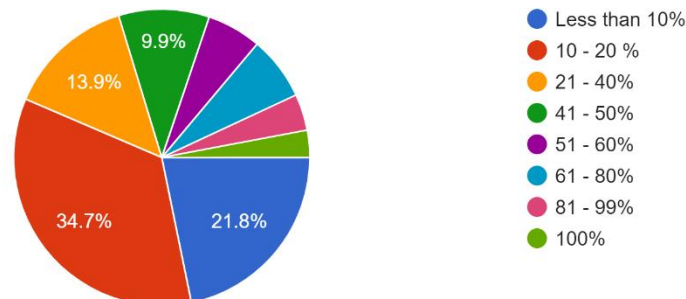
Figure 8: Percentage of total investment portfolio invested in safe investment by respondents. Source: Google form.

Interpretation: Here, as the pie diagram shows that maximum people invest 10 to 20 percent of their total investment portfolio in safe investment (34.7%) and least people invest 100 percent of total investment portfolio in safe investments (3%).

9. Which safe investment avenues do you prefer for investing?
101 responses
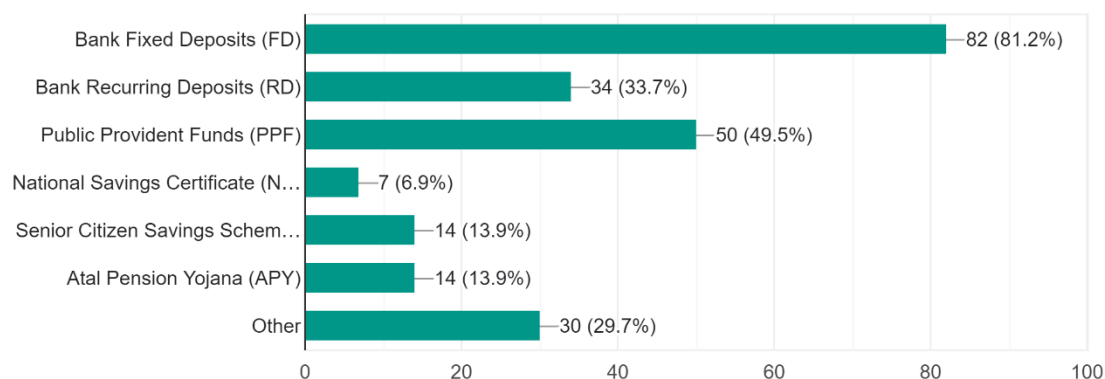
Figure 9: Safe investment avenues preferred for investing. Source: Google form.

Interpretation: Here, as the bar diagram shows that maximum people prefer Bank Fixed Deposits (81.2%) followed by Public Provident Fund (49.5%) and least people prefer National Savings Certificate (7%).

10. Reasons for preferring safe investments
101 responses
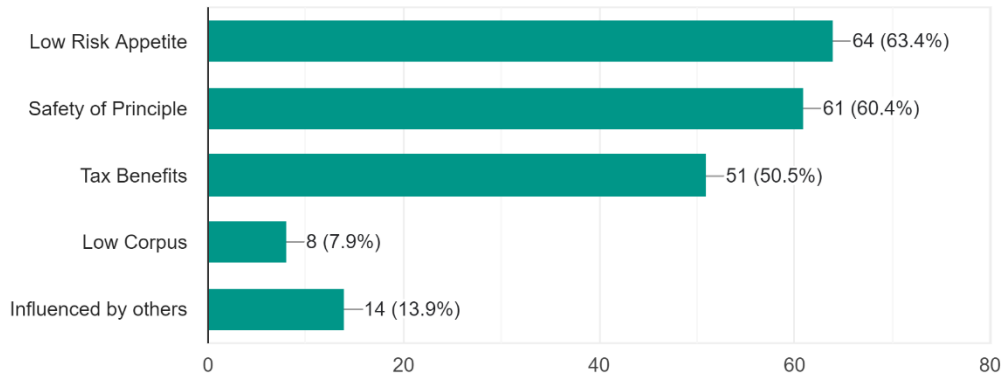
Figure 10: Reasons for Preference of Safe Investments. Source: Google form.

Interpretation: Here, the bar diagram shows that maximum people prefer safe investments due to Low Risk Appetite (63.4%) followed by Safety of Principle (60.4%), Tax Benefits (50.5%), Influenced by others (13.9%) and lastly due to Low corpus (7.9%).

I) Relation Between Monthly Income of Respondents and Their Percentage of Amount Invested in Safe Investment:

Variables:

Monthly Income and Percentage of amount invested in safe investment.

Hypothesis:

H0: There is no association between monthly income of respondents and their percentage of amount invested in safe investment.

H1: There is association between monthly income of respondents and their percentage of amount invested in safe investment.

Correlation Test:

		Monthly Income	Percentage of amount invested in safe investment
Monthly Income	Pearson Correlation	1	.168*
	Sig.		.047
	N	101	101
Percentage of amount invested in safe investment	Pearson Correlation	.168*	1
	Sig.	.047	

	N	101	101

*Correlation is significant at the 0.05 level.

Table 1: Correlation Test. Source: Author's Compilation.

Interpretation:

Correlation test conducted above is significant at 0.05 so we reject Null Hypothesis (H0) and it is therefore evident that there is a Positive correlation between the two variables.

II)   The Factors Determining the Respondents' Choice of Safe or Risky Investment:

Variables:

Age, Gender, Occupation and Choice of safe or risky investment.

Hypothesis:

H0: There is no association between age, gender and occupation of respondents and their choice of safe or risky investment.

H1: There is association between age, gender and occupation of respondents and their choice of safe or risky investment.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
age * safe_or_risky	101	96.2%	4	3.8%	105	100.0%

The Chi-Square Tests:

	Value	Df	Asymptotic Significance (2 sided)
Pearson Chi-Square	32.001*	36	.659
Likelihood Ratio	36.574	36	.442
Linear-by-Linear Association	4.063	1	.044
N of Valid Cases	101		

*71 cells (95.9%) have expected count less than 5. The minimum expected count is .23.

Table 2: The Chi-Square Test-1. Source: Author's Compilation.

Crosstab

Count

		safe_or_risky		Total
		.00	1.00	
gender	.00	14	34	48
	1.00	9	44	53
Total		23	78	101

0=Male; 1=Female

Chi-Square Tests:

	Value	Df	Asymptotic Significance(2 sided)	Exact Sig. (2 sided)	Exact Sig. (1 sided)
Pearson Chi-Square	2.127*	1	.145		
Continuity Correction	1.490	1	.222		
Likelihood Ratio	2.134	1	.144		
Fisher's Exact Test				.162	.111
Linear-by-Linear Association	2.106	1	.147		
N of Valid Cases	101				

*0 cells (0.0%) have expected count less than 5. The minimum expected count is 10.93.

Table 3: Chi-Square Test-2. Source: Author's Compilation.

Crosstab

Count

		safe_or_risky		Total
		.00	1.00	
occupation	.00	11	48	59
	1.00	12	30	42
Total		23	78	101

Non-Salaried Person=0 ; Salaried Person=1

The Chi-Square Tests:

	Value	Df	Asymptotic Significance(2 sided)	Exact Sig. (2 sided)	Exact Sig. (1 sided)
Pearson Chi-Square	1.375*	1	.241		
Continuity Correction	.868	1	.351		
Likelihood Ratio	1.360	1	.244		
Fisher's Exact Test				.336	.176
Linear-by-Linear Association	1.361	1	.243		
N of Valid Cases	101				

*0 cells (0.0%) have expected count less than 5. The minimum expected count is 9.56.

Table 4: The Chi-Square Test-3. Source: Author's Compilation.

Interpretation:

Chi square test conducted above is not significant at 0.05, rather p value is greater than 0.05 so we accept the H0 (Null Hypothesis). We are unable to reject the null hypothesis.

III)   The Factors Determining the Respondents' Reason (Low Risk Appetite Or Tax Benefits) to Choose Safe Investment:

Variables:

Age, Gender, Monthly Income and respondents' reason (low risk appetite or tax benefits) to choose safe investment.

Hypothesis:

H0: There is no association between age, gender and monthly income of respondents and their reason (low risk appetite or tax benefits) to choose safe investment.

H1: There is association between age, gender and monthly income of respondents and their reason (low risk appetite or tax benefits) to choose safe investment.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
age * low_risk_or_tax_benefit	101	96.2%	4	3.8%	105	100.0%

The Chi-Square Tests:

	Value	Df	Asymptotic Significance(2 sided)
Pearson Chi-Square	27.798*	36	.834
Likelihood Ratio	36.510	36	.445
Linear-by-Linear Association	0.28	1	.867
N of Valid Cases	101		

*71 cells (97.3%) have expected count less than 5. The minimum expected count is .42.

Table 5: The Chi-Square Test-4. Source: Author's Compilation.

Crosstab

Count

		low_risk_or_tax_benefit		Total
		.00	1.00	
gender	.00	28	20	48
	1.00	31	22	53
Total		59	42	101

Male=0; Female=1

The Chi-Square Tests:

	Value	Df	Asymptotic Significance(2 sided)	Exact Sig. (2 sided)	Exact Sig. (1 sided)
Pearson Chi-Square	.000*	1	.987		
Continuity Correction	.000	1	1.000		
Likelihood Ratio	.000	1	.987		
Fisher's Exact Test				1.000	.574
Linear-by-Linear Association	.000	1	.987		
N of Valid Cases	101				

*0 cells (0.0%) have expected count less than 5. The minimum expected count is 19.96.

Table 6: The Chi-Square Test-5. Source: Author's Compilation.

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
monthly_income * low_risk_or_tax_benefit	101	96.2%	4	3.8%	105	100.0%

The Chi-Square Tests:

	Value	Df	Asymptotic Significance(2 sided)
Pearson Chi-Square	30.596*	26	.244
Likelihood Ratio	38.593	26	.053
Linear-by-Linear Association	.555	1	.456
N of Valid Cases	101		

*46 cells (85.2%) have expected count less than 5. The minimum expected count is .42.

Table 7: The Chi-Square Test-6. Source: Author's Compilation.

Interpretation:

Chi square test conducted above is not significant at 0.05, rather p value is greater than 0.05 so we accept the H0 (Null Hypothesis). We are unable to reject the Null Hypothesis.

IV) The Factors Determining the Respondents' Percentage of Amount Invested in Safe Investments:

Variables:

Age, Gender, Occupation, Monthly Income and respondents' percentage of amount invested in safe investment.

Hypothesis:

H0: There is no association between age, gender, occupation and monthly income of respondents and their percentage of amount invested in safe investment.

H1: There is association between age, gender and monthly income of respondents and their percentage of amount invested in safe investment.

ANOVA Test:

		Sum of squares	Df	Mean Square	F	Sig.
Monthly Income	Between Groups	3.832E+10	1	3.832E+10	11.363	.001
	Within Groups	3.338E+11	99	3372032351		
	Total	3.721E+11	100			
Age	Between Groups	1322.904	1	1322.904	4.788	.031
	Within Groups	27355.848	99	276.322		
	Total	28678.752	100			
Gender	Between Groups	.584	1	.584	2.349	.129
	Within Groups	24.604	99	.249		
	Total	25.188	100			
Occupation	Between Groups	.056	1	.056	.226	.635
	Within Groups	24.479	99	.247		
	Total	**24.535**	**100**			

Table 8: ANOVA Test. Source: Author's Compilation.

Interpretation:

ANOVA (Analysis of Variance) test conducted above is not significant at 0.05, so we accept the H0 (Null Hypothesis). We are unable to reject H0.

Conclusion

There are many safe investment avenues available in India where many investors invest due to their merits namely it's suitable for low-risk takers, tax benefits and safety of principle. The mostly invested safe investments are Bank deposits, Public Provident Fund and Atal Pension Yojana.When a Correlation test is conducted to understand the relation between monthly income of respondents and their percentage of amount invested in safe investment, we could see a positive correlation between the two variables that is as the amount of monthly income of individual increased, then his/her percentage of amount invested in safe investment also increases and vice versa.When the Chi-Square test is done to understand factors determining the respondents' choice of safe or risky investment using factors age, gender and occupation of respondent, we could not see proper significance in it, which was again seen in Chi-Square test conducted to understand the factors determining the respondents' reason (low risk appetite or tax benefits) to choose safe investment.Furthermore, when an ANOVA (Analysis of Variance) test is conducted to understand the factors determining the respondents' percentage of amount invested in safe investments, we could see p value not significant at 0.05 as a result we accepted Null Hypothesis.

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