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Commerce

Investment Behaviour of Urban Population- A Case Study of Households in Tinsukia Town

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ABSTRACT Allocating money in some resources in the expectation to yield more return with a considerable risk is called investment. It is perceived that risk and return always proceed together simultaneously. That is why it is also believed that in order to yield more return, more risk is to be taken and vice versa. Investors prefer to invest and design their portfolio according to their convenience. The present study is conducted to find out investors' preferences on different investment avenues and also to find out the factors affecting such preferences. Stratified sampling technique has been adopted for the study with the total sample size of 70.

KEYWORDS : Investment, Investment behaviour, Urban Population

INTRODUCTION

Allocating money in some resources in the expectation to yield more return with a considerable risk is called investment. It is perceived that risk and return always proceed together simultaneously. That is why it is also believed that in order to yield more return, more risk is to be taken and vice versa. Investment behaviors are defined as how the investors judge, predict, analyze and review the procedures for decision making, which includes investment psychology, information gathering, defining and understanding, research and analysis. The whole process is "Investment Behavior" (Slovic, 1972; Alfredo and Vicente, 2010). However, high returns usually come with high risks; hence, the ultimate target for the investor is to select investments that balance risks and returns (Peng, Yu-Jan, 2003). Every individual investor possesses different mindset when they decide about investing in a particular investment avenue such as stocks, bonds, mutual funds, fixed deposit, real estate, bullion etc. In each life cycle stage, every individual desires his hard earned money to be invested in most secure and liquid avenue. However, the decision varies for every individual depending on their risk taking ability and the purpose for which such investment is to be done. Purpose of investment can be related with saving objective. Each individual investor selects the investment option for certain time period looking at their personal financial goals. Investment behaviour of an individual investor reveals how he/she wants to allocate the surplus financial resources to various instruments for investment available. The investment behaviour consists of why they want to invest, how much of their disposable income they want to invest, for how many years/months they want to invest and most importantly the timing of such investment.

Lalit Mohan Kathuria & Kanika Singhania (2012) concluded that private sector banking employees were investing a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues. D. Harikanth & B. Pragathi (2012) indicated that there is a significant role of income and occupation in investment avenue selection by the male and female investors. Geographical horizon of the investors, risks bearing capacity, educational level, age, gender and risk tolerance capacity etc, also impacts their selection. Sanjay Kanti Das (2012) summarized that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to get benefit of safety and security of their life and investment. It was found that there is a need for increasing the financial literacy among the middle class households. Meenakshi Chaturvedi & Shruti Khare (2012) revealed that most investor preferred Bank Deposits as their first choice of investment, secondly small saving scheme followed by the life insurance policies. Giridhari Mohanta & Sathya Swaroop Debasish (2011) states that people were ready to invest for meeting their financial, social and psychological need. But the investor always had a mindset of safety and security, higher capital gain, secured future, tax benefit, getting periodic return or dividends, easy purchase and meeting future contingency.

STATEMENT OF THE PROBLEM

Understanding investment behaviour is a difficult task. It becomes even harder when it comes to investment behaviour of urban population. Although numerous studies have been taken place but very limited study has been done in this part of the country. Since Tinsukia is one of the commercial hubs of the state Assam, it becomes even more imperative to know the investment behaviour of the countrymen in this part of the region.

OBJECTIVES

The study is intended to fulfill the following objectives:

1. To find out the investment avenues mostly preferred by the investors.
2. To find out the factors that influence investment behaviour of investors.

HYPOTHESIS

The hypothesis drawn for the study is:

Ho$_1$: There is no significant relationship between household income and investment avenues based on risk and return.

METHODOLOGY

The study is all about to assess investors' preference in different investment avenues and also to know the reasons for such preference.

Collection of data

The study is based prominently on primary data. The primary data is collected from questionnaire.

Universe of the study

For this study the respondents are the households in Tinsukia town. As per Tinsukia Municipal Board records (as on 21.2.2015) there are 10,171 households comprising in the 15 wards Tinsukia town.

Sampling unit

The sampling unit is the households in Tinsukia town who invest in any securities.

Determination of sample

As per Tinsukia Municipal Board record, there are 10171 households in the 15 wards of Tinsukia town. Stratified random sampling technique is adopted for the study. For determination of sample size, we have taken help of the Sample Size Calculator [software] by Raosoft Inc (2004). We have taken 90% confidence level and 10% margin of error and these figures are put in the software. The software estimates the sample size as 70 households in Tinsukia town. These 70 households are proportionately distributed among 15 wards.

The calculation of sample size in the software is based on the following formulae:

$$n = {}^{NX}/[(N-1)E^2 + X]$$
$$X = Z\,©/100)^2 r\,(100-r)$$
$$E = \text{Sqrt}\,[{}^{(N-n)X}/n\,(N-1)]$$
$$X = (1.68)^2 \times 0.5(1-0.5)$$
$$= 2.8224 \times 0.5 \times 0.5$$
$$= 0.7056$$
$$n = 10{,}171 \times 0.7056/[(10171-1)(0.1)^2 + 0.7056$$
$$= 7176.6576/102.4056$$
$$= 70$$

Period of study
The study was conducted during the period 2016-17.

TABLE 1
PROPORTIONATE DISTRIBUTION OF SAMPLE SIZE AMONG WARDS (As on 21-2-2015)

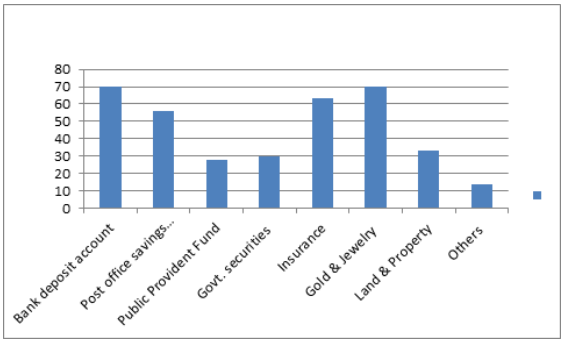
WARD NO.	AREAS	TOTAL HOUSE HOLDS	SAMPLE SIZE
1	AT road, Over bridge, Mehar kalibari, Sankardev road, Bihu toil, Congress colony, DRM office, Sarada palli	1138	8
2	Congress colony, LNB road, Godha pukuri, Vivekanda road, Madhya sripuria	455	3
3	Adashapath, Sarada palli,Sshyama palli, milanpalli, Gandhi park, Ramakrishna road	1002	6
4	Gandhi park, Naupukuri, Makum road, jyotinagar	418	3
5	Makum road, Thermal road, National plywood	480	3
6	Chirapatti, Parvatia, Manav kalyan	631	4
7	Parvatia, Gelapukuri, Khageswar road, College road	562	4
8	Chaliha nagar, Dohutia chuk, Subhochoni	349	2
9	Subhochoni, Chaliha nagar, Rangagora road, Durgabari	974	7
10	Tulsiram road, Devi pukuri, R.G. road, GNB road, Durgabari	615	5
11	AT road, DM Lohia road, Siding bazar	600	5
12	AT road, Daily bazaar, GNB road, Fish market	332	2
13	Khageshwar road, Borpather, Tamulbari, New colony, GNB road, Bengali girls school	935	6
14	Juria Namghar road, Borpather, S. Dohutia road	556	4
15	Mission para, Tamulbari, S. Dohutia road, Das para, Masjid patti road	1124	8

(Source: Municipal Board Report)

Limitations of the study
The scope of the study is limited and confined only to 70 households in Tinsukia town. Further the study is confined to households using brands of select consumer durables only. The period of the study is 2016-17. Therefore, generalization of conclusion of the present study may not have universal applicability. Admittedly investment behaviour varies from one person to another, therefore general applicability of the inferences and conclusions of a study related to brand preference like present one cannot be claimed.

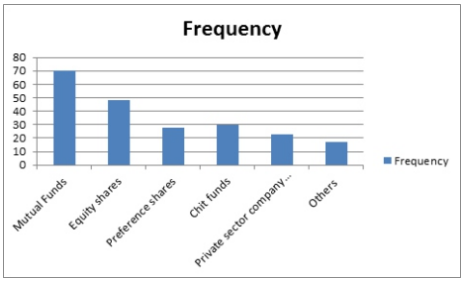
RESULT AND DISCUSSION

Figure1. Investment made by Households in Less Risky/Risk Free Avenues



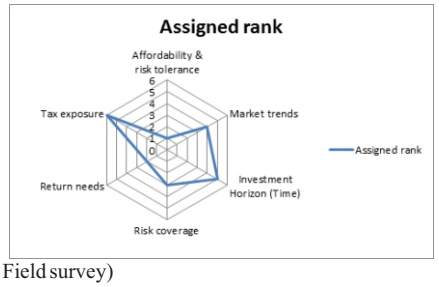
(Source: Field survey)
Figure 1 depicts that among the less risky investment avenues, bank deposit (100%) and gold & jewelry (100%) are the preferred investment avenues by households.

Figure 2 . Investment made by Households in High/ Moderately Risky Avenues



(Source: Field survey)
Figure 2 depicts that among the high/ moderately risky investment avenues, mutual fund (100%) is the most preferred investment avenue.

Figure 3. Factors affecting investment in various avenues



(Source: Field survey)

Figure 3 depicts that affordability & risk tolerance (1.2534) is the most important factor followed by returns needs (1.7332), risk coverage (1.7628), market trends (1.8652), investment horizon (2.1671), and tax exposure (3.2803).

Table 2 showing household income and investment avenues

Estimated income of household	More investments in Less risky/ risk free securities with low return	More investments in high risky/ moderately risky securities with high return	Total
Below Rs. 15,000	15	4	19
Rs. 15,001- Rs.30,000	10	15	25
Rs. 30,001-Rs. 45,000	13	8	21
Rs.45,001 & Above	1	4	5
Total	**39**	**31**	**70**

Observed frequency	Expected frequency	$\frac{(O-E)^2}{E}$
15	11	1.45
4	8	2
10	14	1.14
15	11	1.45
13	14	0.07
8	9	0.11
1	3	1.33
4	2	2

$x^2 = 9.55$

$x^2 0.05; 3 = 9.55$ (Calculated value)
$x^2 0.10; 3 = 6.251$ (Table value)

Since calculated value is more than table value so we can say that there is a relationship between household income and investment avenues. Increase in income leads to increase in risk taking ability and that leads to increase in expectation of more return. That's why it is seen that households with more income tend to investment in moderately risky or high risky securities and vice versa. Ho1 is thus rejected.

CONCLUSION
Investment behaviour is very important in knowing the socio-economic status of a society. Present study suggests that although people are concerned about risk, still they have high return motive also. As a result, people have shown interest in investing risky securities in the expectation of getting higher return.

DIRECTION TO FUTURE RESEARCH

The present study is all about to assess the investment behaviour of urban population in Tinsukia town. Further, this kind of study can be done in different geographical location. Further researches can also be done to test hypothesis to find relationship between investment behaviour and other demographic variables apart from household income.

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Software

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