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### The Potential Impact of Marketing on Preference of Financial Instruments

*Whether individuals' preferences change due to marketing efforts or are government securities still the preferred choice*

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**Abstract:** This paper aims to find the preference changes of individual investors due to marketing efforts in New Delhi city vis-a-vis the available investment avenues in the Indian financial markets. Every individual seeks to invest in a security based on 5 major factors i.e. capital, liquidity, income stability, and appreciation. There are numerous investment options available to investors in the form of fixed deposits, government securities, corporate bonds, insurance policies, property, commodities, stocks and mutual funds, chit fund, gold and liquid cash. Any surplus money intended to be saved is put into these above mentioned avenues by investors based on their risk and return appetite. A very famous principle of investment management rightly says - "No pain, no gain". A developing economy always provides better chances to investors in terms of higher opportunities and better returns than a developed economy. As any influential investor would tell you, in a growing economy, you can "Most likely" access more benefits. Investors cannot avoid risks, but they can minimize risk by investing their money in various forms of investments keeping in mind their risk and return profile. While investment has always been a focal aspect of a developing economy, marketing efforts by private institutions as well as various investment instruments has changed the game. From growing investment preference in mutual funds and ULIPs to a sound investment decision after making all comparisons, the investment patterns of individuals are dramatically changing. In this study, the researcher took to the conclusion that in spite of growing importance of marketing, most investors in the city of New Delhi still prefer bank deposits, followed by investment in gold and silver.

**Keywords:** Investment; Marketing; Financial Preference; Risk; India

### INTRODUCTION

It is believed that investors think judiciously and settle on purposeful choices, keeping in mind their different estimations and their budgets. However, risk related to an investment instrument always plays

a key role in making investment decisions. Till a while ago, the two most important factors for making an investment portfolio were return and risk. With the advent of technology and social media, a growing importance is being placed on the marketing efforts of private institutions and promoters of private investment instruments.

In the past, banks concentrated on offering only traditional financial products such as current accounts, bank savings accounts, recurring deposits and deposits. Same was the case with insurance companies as well as the Ministry of Posts that offered investments in recurring deposits, national certificates savings, Kisan Vikas Patras etc. However, the new industrial policy brought with it a new regime in the investment scenario. The financial services industry started offering diversified financial products such as mutual funds, stocks, derivatives, life insurance policies and non-life systems (plans related unit investment (ULIPs), provident and pension funds, and children's education plans, etc.).

Over the last 40 years or so, the major source of household investment has been bank deposits. While the percentage of investment in mutual funds, provident pension fund and life insurance fund has seen some highs and lows during the time, the growth has never been able to surpass the percentage of investment in bank deposits.

It is an established fact that individuals' investment preferences differ from one another, that each individual behaves differently while investing and that the individual's investment behaviour is influenced by his / her own environment. With a forecast of creation of a high efficiency over a period of time, the exposure to ATL and BTL marketing and at a certain level of risk, individuals invest in various financial products. Today, a number of investment tracks are available for individuals, but an individual, after a thorough study of the market and according to his own needs and circumstances, decides which investment avenue should be chosen.

#### A. Golden Rules Of Investment

1. Invest early
2. Invest regularly
3. Invest in short-term as well as long-term instruments

#### B. Investment Alternatives

An investor has a wide variety of alternatives available for investment. Sacrificing some rigor, these may be classified as:

##### 1. Non-Marketable Financial Assets

A good portion of financial assets is represented by non-marketable financial assets. These can be classified into the following broad categories:

- a) Bank Deposits
- b) Post Office Deposits
- c) Company Deposits
- d) Provident Fund Deposits

2. Equity Shares
3. Money Market Instruments
4. Debt Instruments
5. Short-term Options
6. Bonds
7. Mutual Funds
8. Life Insurance
9. Precious Metals

The present study is an attempt to analyse whether marketing efforts have impacted the investment preferences of individual investors in New Delhi.

### **LITERATURE REVIEW**

In his study, D. L. Narayana (1976) found that bank deposits, shares and securities are predominantly the preferred forms of urban financial investment. Women have been at the forefront of savings and this can be established from Mudra-Samir's (1992) work that highlights the fact that one-fifth of their earnings is saved by working women in urban India. In his research, Jawaharlal (1995) laid down that investors must be provided with completely reliable information to make a investment decision in their favour.

While investors need accurate information for making sound decisions, Bandgar P.K. (1999) is of the opinion that investor are not really aware that shares and debentures, whether newly issues or bought at the stock market, are safe instruments. That said, Abhijit Dutta (2000) observed that individual investor are generally high on confidence and are not swayed by the market discounted asymmetric information. For any economy to develop, it is important for its citizens to save and invest. The same has been highlighted by Maruthupandian P. (2001) where he insists that it is the investors' duty to actively participate in the market. The same has been categorically discussed in The Indian Household Investors Survey (2005) which states that a developing economy like India requires the surplus household money to be regulated to corporate for growth.

Individuals depend on external sources of information before making an investment decision. In their study, Kirshnudu.Ch, B.Krishna Reddy and G.Rama Krishna Reddy state that amongst other factors, the influence of family members plays a huge role on investment decision making. While the income levels decide the amount saved and invested, Sridhar. R (2008) found that investments of less than Rs. One lakh was made by the majority of the sample investors. That said, Sunatan Khurana (2008) established that protection and not investment, is the primary reason for buying an insurance policy. Also, majority of the teachers invest their surplus money for the future welfare of their kids – their education, marriage and other welfare expenses, according to Mathivannan S. and Selvakumar. M (2011).

Vikram. S. (2008) re-iterates the fact that investors are not well-informed and have limited access and moderate knowledge of the financial markets. A similar view is shared by Kaboor.A (2010) who observes that the level of financial literacy differs between different levels of investors. Not just that, the tastes, preferences and the risk appetite of investors also varies according to Selvatharangini P.S

(2009) To lessen the risks of investing, Darshana P. (2008) suggests the use of visual and print media as well as training programs to help investors make better judgements before investing.

Kasilingam.R and Jayabal.G (2009) have found that investments in small savings schemes is deemed to provide higher yields benefitting not only the individual investors but also the entire nation. While several relationships have been established between variables, Manish Sitlani, Geeta Sharma and Bhoomi Sitlani (2011) differ in their study where they establish no relation between the various demographic variables and the investment choices of the users of the financial services industry.

Suman and Warne D.P. (2012) were keen to observe that the investment patterns in the stock market are by and large affected by the market movements. A very well-known and established fact has been proved again by Alagu Pandian V. And G. Thangadurai (2013) that bank deposits are the most preferred investment choice followed by investment in gold. The same has been concluded by Parimalakanthi K. And Dr. M.Ashok Kumar (2015) that bank deposits are the most favoured instrument due to their low risk component.

Though various authors have made several studies in the above areas, it is still uncertain whether marketing plays any role in making a sound investment decision. Considering all the observed parameters, we've developed a statement of the problem.

### **STATEMENT OF THE PROBLEM**

Savings and investment is the name of the game for any economy to develop and grow rapidly. The developmental activities of a country can take flight only when there is huge savings and proper allocation of capital that propel the country forward. Individuals save part of their income that is surplus thereby decreasing their disposable income. Savings on the other hand, can also be increased by increasing the per-capita income of individuals. A majority of factors impact the savings pattern of any individual investor including their preferences, risk and return appetites, liquidity and safety of the investment instrument, tax benefits and so on. Apart from the above factors, there are demographic factors which influence the decision on investment. This research paper focuses on the factors which affect the investment behaviour of individuals and tries to establish whether marketing efforts by companies has any impact on the investment decisions by individuals in the city of New Delhi.

#### **A. Objective**

To study the impact of marketing on financial instruments and the preference changes of investors due to marketing efforts in New Delhi city.

### **METHODOLOGY**

#### **A. Data**

Primary data that is required for the study has been collected by making use of a structured questionnaire.

#### **B. Area of Study**

Only investors residing in the New Delhi area have been covered as part of the study.

#### **C. Sample Design**

107 respondents have been selected based on convenience sampling.

D. Framework of Analysis

Friedman test and Garratt ranking have been used to analyze the collected data.

### **LIMITATIONS**

It would be unfair to generalize the results since the present study only focuses on respondents in the New Delhi area.

Apart from this, only 107 respondents were taken as a sample to study the impact of marketing on financial decision making. As a result, using the conclusions for a larger population may not be right.

### **ANALYSIS AND INTERPRETATION**

#### **Demographic Summary**

The impact of marketing and the subsequent preference of investment by investors have been classified on the basis of several socio-economic factors and the demographic profiles of the investors i.e.

1. Gender
2. Domicile
3. Type of Residence
4. Education
5. Earning Members
6. Wealth
7. Age
8. Marital Status
9. Family Size
10. Occupation
11. Family Type

Out of the total 107 investors, 57 are male and 50 are female. The majority of the investors i.e. about 45.8% reside in urban areas while the rural and the semi-urban make up for the remaining 15% and 39.2%, respectively.

For the purpose of the study, a classification of the respondents was done on the basis of their gender, type of residency, education levels, number of earning members in the family and the wealth and status of the individual – whether they belong to the lower income group, middle income group or the upper income group, etc.

Majority of the respondents are well-educated having completed their under-graduate courses while about 30% have professional degrees. A careful selection has been done to get a healthy mix of joint and nuclear families with family size ranging from two to more than four members.

The distribution can be studied in the table below:

**Table 1**  
**Demographics**

<i>Variables</i>	<i>Particulars</i>	<i>Frequency</i>	<i>%</i>	<i>Variables</i>	<i>Particulars</i>	<i>Frequency</i>	<i>%</i>
<b>Gender</b>	Male	57	53.3	<b>Age</b>	Below 25	25	23.4
	Female	50	46.7		26-30	33	30.8
<b>Domicile</b>	Rural	16	15.0		31-35	29	27.1
	Urban	49	45.8		36-40	8	7.5
	Semi-urban	35	39.2	41 & above	12	11.2	
<b>Type of residence</b>	Own	63	58.9	<b>Marital status</b>	Married	41	38.32
	Rented	44	41.1		Unmarried	66	61.68
<b>Education</b>	Up to schooling	10	9.4	<b>Family size</b>	Two	10	9.3
	UG	35	32.7		Three	26	24.3
	PG	30	28.0		Four	36	33.6
	Professionals	32	29.9		More than four	35	32.7
<b>Earning members</b>	One	17	15.89	<b>Occupation</b>	Agriculture	10	9.3
	Two	48	44.86		Business	24	22.4
	More than two	42	39.25		Professional	29	27.1
<b>Wealth</b>	Affluent	6	5.6	Employment-Govt	14	13.1	
	Upper middle class	38	35.5	Employment-Pvt	30	28.1	
	Middle class	61	57	<b>Family type</b>	Joint	33	30.8
	Poor	2	1.9		Nuclear	74	69.2

*Source:* Data collected and computed through questionnaire

From the above table, the following observations have been made:

- A. 57% of the investors are male.
- B. Since the sample has been taken in New Delhi, majority of them reside in urban areas.
- C. While rented apartments are on the rise, most investors have their own houses.
- D. Moving away from a single-earning member society, most investors have two earning members in the family.
- E. Majority of the investors are in their later 20s with the average age close to 30.
- F. Most of the investors are unmarried while married investors are not far behind.
- G. Majority of investors are professionally qualified or are employed with private organisations.
- H. Middle class investors are on the rise.

## Behavioral Analysis

The Friedman rank test and Garrett ranking tests were used to test the problem statement.

### 1. Friedman Test

The Friedman rank test is used to find out which sources of information are deemed important by the investor before making any investment decision.

**Table 2**  
**Friedman Test**

<i>Source of information</i>	<i>Mean Rank</i>	<i>Rank</i>
Electronic Media – TV, Radio	3.83	4
Print Media – Hoardings, Newspapers	3.32	5
Social Media/ Internet	4.83	1
Investment Advisors	4.05	2
Peers and Family	3.89	3
Personal Analysis	1.08	6

*Source:* Data collected and computed through questionnaire

The result of Friedman rank test discloses that the majority of investors make use of Internet related information followed by consulting financial advisors, friends and peer investors, etc. for mobilizing investment. In the recent years, internet has become the easiest source of information for investors. Given the education levels as well as the ages of the majority of respondents, it is not surprising to find that internet and social media is the most used medium for gathering and comparing information on different investment avenues.

Very few users make guesswork and invest based on their own analysis depicting the low risk appetite of investors. There is heavy dependence on the words of investment advisors since investors tend to trust their long-term understanding of the financial markets. Friends, family and peer investors are also important sources of decision making indicating that word-of-mouth publicity is one of the best ways of investment promotions.

### 2. Garrett Ranking

In Garrett Ranking test, the respondents were supposed to rank the importance of investing in the various investment avenues available to them and the ranking thus obtained was converted into a score value.

The Garrett ranking test reveals that the preferred choice of investment is savings in bank accounts followed by fixed deposits, investment in precious metals, government securities and insurance policies.

In spite of the plethora of investment opportunities available in the country these days, investors in India by and large, still prefer traditional forms of investment. Bank account savings, fixed deposits and government securities rule the investment jungle. Given the low risk, investment in precious metals like gold and silver has always been on a high.

**Table 3**  
**Garett Ranking**

S.No	Factors	Rank										No. of Respondents	Total Score	Mean Score	Rank
		1	2	3	4	5	6	7	8	9	10				
1	Gold & Silver	19	24	42	0	0	22	0	0	0	0	107	7028	65.68	III
2	Commodities	0	0	0	0	20	0	0	19	24	44	107	3757	35.11	IX
3	Govt Securities	0	0	24	44	18	0	21	0	0	0	107	6028	56.33	IV
4	Fixed Deposits	41	23	20	23	0	0	0	0	0	0	107	7632	71.32	II
5	Bank A/C Savings	44	45	18	0	0	0	0	0	0	0	107	7955	74.34	I
6	Corporate Bonds	0	0	0	0	18	43	24	0	22	0	107	4861	45.43	VII
7	Insurance	0	20	0	0	19	23	45	0	0	0	107	5553	51.89	V
8	Real Estate	0	23	0	0	21	20	23	20	0	0	107	5539	51.76	VI
9	Shares & MFs	0	0	0	19	0	0	0	66	22	0	107	4421	41.31	VIII
10	Chit Funds	0	0	0	0	0	0	0	0	37	70	107	3041	28.42	X

### SUGGESTIONS

There are several implications of the research findings. The study highlights the preference of investment in the various financial products such as Savings accounts in banks, fixed deposits, Government Securities, Corporate Bonds, Insurance policies, Real estates, Commodities, Shares & MFs, Chit Funds and Gold & Silver and discussed the factors that lead to these preferences. Therefore, financial policy makers as well the markets' regulatory authority can use the data to tweak instruments and make them more like-able for investors. Training programs as well as study programs can help in protecting the interests of old as well as new investors. The following suggestions can be taken into consideration.

- A. The time horizon of any investment should depend on the objective of the investor as well as the type of investment avenue selected for investment. Not all investment instruments are right for long term investments.
- B. Investment planners, family, friend and peer investors usually have your best at their heart. It's advisable to talk to them and consider their opinions and advices before committing to any investment. As they say, better safe than sorry!
- C. The aim of any insurance policy is to protect and cover your losses. It's an assurance and not an investment instrument. It is always advisable to buy insurance policies as pure protection plans in order to minimize the premium. The extra money saved on the premium can be capitalized on another investment avenue in order to increase returns.
- D. Most often than not, professionals end up making huge investments at the end of the financial year in order to reap tax benefits. The last-minute rush leads to erroneous judgments hampering their investment portfolio. Planning right at the beginning of the financial year will always give investors the time to find the best possible alternative for investing their money.



- E. The markets are dynamic and those who fail to keep themselves updated with the changing regulatory environment may end up losing in the long run.
- F. Keep updating your investment portfolio. Investors that are willing to experiment with their investment portfolio, with sound advice and well-read and researched information, tend to keep their portfolio profitable.
- G. While investors wish to solicit advice from portfolio managers, it is difficult for them to do so owing to the high fee of portfolio managers as well the minimum limit for Portfolio Management Services. SEBI, even with its best intentions for the investors, can possibly review these limits in order to encourage more investors to opt for these services.
- H. Investors must regularly review the equity-debt ratio of their portfolio. Apart from this, non-performing stocks should be regularly replaced by the performing stocks.
- I. Social media has come of age with over 90% Indians owning cell phones in the country and accessing internet. It is time that the power of online marketing is realized to educate and inform investors and guide them to newer investment avenues.

## CONCLUSION

This research paper highlights the growing importance of financial education of investors in the country based on the sampling in New Delhi. Well-read investors turn to the internet, financial planners and peer investors before making any investment decision. Things haven't changed much in the last few decades with investors still preferring to invest in savings accounts, government securities, fixed deposits and precious metals. While marketing does impact the investors' decision making abilities, other forms of information still play a critical role. In spite of the huge marketing efforts and spends by companies, traditional investment alternatives still are the dominant players in the market. However, that said, investors are beginning to explore newer investment avenues and taking risks by investing in instruments that a few years back were even unheard of. Hence, it will not be wrong to say that somewhere down the line, marketing will have an impact on the investment decisions.

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