

## **Investor's Preference Towards Various Investment Avenues Based on their Income and Occupation – An Empirical Study**

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***Abstract:** Chartered Alternative Investment Analyst (CAIA) Association defines an alternative is nothing but an investment product other than the traditional investments of stocks, bonds, cash or property. There are various financial assets available such as Equity Shares, Preference Shares, etc. In this paper, the researcher wants to study the Investor's investment choices among ten alternatives viz., Equity Shares, Bond/Debentures, Real Estate, Bank Deposits, Public Provident Fund, Mutual Funds, National Savings Certificate (NSC)/Post Office Deposits, Insurance Schemes, Gold, and Currency & Derivatives between monthly income and occupation of the Investor. The study reveals that investor's investment choice varies with Occupation and Monthly Income.*

***Keywords:** Investment alternatives, Investor's preference, Income, Occupation*

### **1. INTRODUCTION**

According to the Chartered Alternative Investment Analyst (CAIA) Association, an alternative is most often defined not by what it is, but more often by what it is not. Investment alternative is nothing but an investment product other than the traditional investments of stocks, bonds, cash or property. The term is a relatively loose one and includes tangible assets and financial assets. There are various financial assets available like, Equity Shares, Preference Shares, Mutual Fund, Provident Fund, Deposits, Bonds, Debentures, Derivatives, Insurance, etc. In this paper, the researcher wants to study the Investor's investment choices among ten alternatives viz. Equity Shares, Bond/Debentures, Real Estate, Bank Deposits, Public Provident Fund, Mutual Funds, National Savings Certificate (NSC)/Post Office Deposits, Insurance Schemes, Gold, and Currency & Derivatives towards their income and occupation. The objective of this paper is to investigate how the investment choice is affected by the income and occupation of the investors. Such knowledge will be highly useful for financial advisors as it will help them to advise their clients regarding investments avenues that are appropriate with respect to investor's income and occupation.

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## 2. REVIEW OF LITERATURE

Manish Sitlani *et al.* (2011) in their study shows that there is no association between demographic variables, like gender, age, marital status, occupation and household income and investment choice, but there is a significance association between qualification and investment choice of occupants of financial services industry. Suman Chakraborty and Sabat Kumar Digal (2013) found from their work that, saving is significantly influenced by demographic factors such as age, occupation and income level of investors. Male respondents gave 1<sup>st</sup> rank to Secured deposits whereas female respondents gave 1<sup>st</sup> rank to Bullions. Brahmabhatt *et al.* (2012) has done research and found that in India youngsters are not aware of investment opportunities. People are more interested to invest in stock market even though they face huge losses and prefer savings and safety avenues with high interest and low risk. Most of the respondents invest in two or more sources, discuss with family and friends before investing, they are financial illiterates and women are attracted towards investing in gold than any other investment alternatives. Meenu Verma (2008), research test reveals that significant differences among investors belonging to different personality types. From their study it was observed that conservative, medium conservative and moderate investors prefer safer investments like PPF, post office deposits, bank FDs and NSC whereas medium aggressive and aggressive ones go for equity shares/derivatives and mutual funds. Manish Mittal and R K Vyas (2008) study indicates that significant difference among investors of different personality regarding equity, real estate/bullions and post office deposits as the choice of Investment Avenue. The differences are insignificant regarding mutual funds, debentures/bonds and derivatives. Shana Orczyk (2008), his research provides the accurate description of the investment options such as Hedge funds, private equity and managed futures so that the investors get necessary foundation to help make informed decisions in their future investment allocations. Syed Tabassum Sultana (2010), analyses the various Demographics variables of investors with preference of investment and risk tolerance level. This study concludes that the investors prefer FD's/Bonds/PPFs most than insurance schemes next to Equities and Mutual Funds. His study confirms that Indian investors are conservative investors. Manish Mittal and R K Vyas (2007) study shows that based on gender, men prefer Equities as their first choice and women prefer post office deposits as their first choice. The investor of age group 18-25 first choice is Equities and above 45 years first choice is Derivatives. Less income group prefers post office deposit and high income group prefers Derivatives as their first choice. Post graduates prefer Mutual Fund and Professionals prefer Equity. Service as occupation people prefers Equity whereas housewife prefers Real estates and Bullions.

## 3. RESEARCH METHODOLOGY

### 3.1. Problem Statement

Investment on various avenues gives varying return to the investors. If the return and risk are same for all the avenues, then there won't be any problem in making selection.

Since the investors are having more choice and their risk and return also varies, investor has to select one or more avenues which satisfy their investment objective. Investment selection decision is based on many factors like psychological, behavioral, demographical factors etc. The demographic profile of the investor such as gender, age, education, income, occupation, and also the availability of fund for the investor have influence over the preference of investment avenue. In this regard, the researcher wants to study the investors preference based on their income and occupation.

### **3.2. Objective of the Study**

The primary objective of the study is to identify the investment choice of investor's based on their income and occupation. The secondary objective is to find out the most preferred and least preferred choice of investment avenues based on investor's income and occupation and also their significance between them. To study the stated objectives, the following hypothesis has been developed:

1.  $H_0$ : There is no significant difference between Monthly Income and various preference of investment
2.  $H_0$ : There is no significant difference between Occupation and various preference of investment

### **3.3. Research Design and Data Collection**

Research design is Descriptive and Analytical. Primary source of data has been collected personally using questionnaire. The questionnaire has been framed based on the review of literatures cited above as well as referring text books. Necessary secondary data has been collected through internet.

### **3.4. Sample Design**

A Sample size of 150 has been collected based on schedule method and the selection of respondents has been done through Convenience Sampling. For area of sampling, Chennai (one of the four metropolitan cities of India) has been chosen. Samples were collected during the period of September to December 2013.

### **3.5. Statistical Tools Used**

Descriptive statistics has been used for income and occupation of the investor and Investment preference of the respondent. Kruskal-Wallis test (is equivalent to one-way ANOVA and an extension of Mann-Whitney U test) is to allow comparison of more than two independent groups. The researcher has used the Kruskal-Wallis test to test the hypothesis.

### **3.6. Significance of the Research**

Once the choice of investors is identified, it will facilitate the financial advisor for giving suggestions to investors and it will also be useful for the investors while

making their investment preference. The study result may be useful for the company in planning about their financing plans too.

#### **4. DATA ANALYSIS AND INTERPRETATION**

##### **4.1. Descriptive Statistics**

Table 4.1.1 shows the Descriptive Statistics of the respondent based on monthly Income and Occupation. Descriptive statistics has been used for the income and occupation of the investor and Investment preference of the respondent and the results are given above in Table 4.1.1. The Descriptive statistics says 34% of the majority respondents belong to ₹ 25001-50000 monthly income group and 2% of the respondent belong to < 10000 and 10000-25000. 54.7% of the majority respondents fall under salaried category and followed by 23.3% of respondents belong to Business category and 2% of the respondents belong to Home Maker and Retired group.

Table 4.1.2 shows the descriptive Statistics of Investment preference. Based on the mean rank, Bank Deposits are preferred 1<sup>st</sup>, 2<sup>nd</sup> Equity, 3<sup>rd</sup> Gold and Currency & Derivatives are preferred 10<sup>th</sup>.

The Friedman test has been used to find out the Mean Rank and association among investment preference with degrees of freedom 9. Table 4.1.3 and 4.1.4 showing the Friedman test result that there is significant association between the rankings of investment preference.

##### **4.2. Occupation and Investment Avenues**

The Kruskal-Wallis test result in Table 4.2.2 shows that there exist significant differences among the different occupation of investor as related to Bonds/ Debentures, Bank Deposits NSC/Post office deposits. Table 4.2.1 shows the descriptive statistics of Occupation and Investment Avenues and Mean rank, and it is inferred that there is no difference in the 1<sup>st</sup> choice of Salaried and Business group. Students and retired investors select Bank deposit as their 1<sup>st</sup> choice whereas Professionals prefer Insurance Scheme and Home maker prefers Bonds/Debentures.

##### **4.3. Monthly Income and Investment Avenues**

Table 4.3.1 shows the Mean Rank based on Monthly Income and Investment avenues of Investors. Based on the Mean Rank, it is inferred that the less monthly income group of the investors i.e. with less than 10000 prefers fixed return investment as their most preferred choice i.e. Bonds/Debentures, next Mutual funds. On the other hand, the higher income group more than 75000 prefers Mutual Fund as their 1<sup>st</sup> choice and Bank Deposits as their next. Based on Kruskal-Wallis test in Table 4.3.2, investment choice of investor vary significantly for Bonds/Debentures, Real Estate, Bank Deposits, Public Provident Fund and Mutual Funds.

## 5. SUMMARY AND CONCLUSIONS

The researcher has taken up for the study the Investor's investment choices among ten alternatives such as Equity Shares, Bond/Debentures, Real Estate, Bank Deposits, Public Provident Fund, Mutual Funds, National Savings Certificate (NSC)/Post Office Deposits, Insurance Schemes, Gold, and Currency & Derivatives between monthly income and occupation of the Investor. Descriptive statistics, Friedman Test and Kruskal-Wallis test are used and results of investor's preference based on the data collected has been summarized and the first five choices of preferences are shown in Table 5.1 and 5.2. From the study it can be concluded that investor's investment choice based on Occupation and Monthly Income varies. The test output may be useful for the financial advisors to advise their clients in making their wise investment judgment.

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**Annexure****Table 4.1.1**  
**Descriptive Statistics**

<i>Income and Occupation</i>		<i>Frequency</i>	<i>Percent</i>	<i>Cumulative Percent</i>
Monthly Income	<10000	3	2.0	2.1
	10000-25000	3	2.0	4.2
	25001-50000	51	34.0	39.6
	50001-75000	48	32.0	72.9
	>75000	39	26.0	100.0
	Total	144	96.0	
Occupation	Salaried	82	54.7	54.7
	Business	35	23.3	78.0
	Professionals	15	10.0	88.0
	Students	12	8.0	96.0
	Home Maker	3	2.0	98.0
	Retired	3	2.0	100.0
	Total	150	100.0	

**Table 4.1.2**  
**The Descriptive Statistics and Its Mean Rank**

<i>Investment Avenues</i>	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Rank</i>
Equity	150	1	10	4.14	2.647	2
Bonds/Debentures	150	1	10	10	5.82	2.682
Real Estate	150	1	10	5.22	3.354	4
Bank Deposits	150	1	10	3.72	2.845	1
Public Provident Fund	150	2	10	5.78	2.049	7
Mutual Funds	150	1	10	5.68	2.335	6
NSC/Post Office Deposits	150	1	9	5.88	2.614	9
Insurance Schemes	150	1	10	5.58	2.483	5
Gold	150	1	10	4.98	2.891	3
Currency & Derivatives	150	3	10	8.20	2.323	10

**Table 4.1.3**  
**Friedman Test**

<i>Investment Avenues</i>	<i>Mean Rank</i>
Equity	4.14
Bonds/Debentures	5.82
Real Estate	5.22
Bank Deposits	3.72
Public Provident Fund	5.78
Mutual Funds	5.68
NSC/Post Office Deposits	5.88
Insurance Schemes	5.58
Gold	4.98
Currency & Derivatives	8.20

**Table 4.1.4**  
**Statistics<sup>a</sup>**

N	150
Chi-square	213.068
Df	9
Asymp. Sig.	.000

a. Friedman Test

**Table 4.2.1**  
**Mean Rank of Investment Avenues with Respect to Occupation**

<i>Investment Avenues</i>	<i>Occupation</i>	<i>N</i>	<i>Mean Rank</i>
Equity	Salaried	82	72.39
	Business	35	82.66
	Professionals	15	65.30
	Students	12	92.00
	Home Maker	3	96.50
	Retired	3	41.00
	Total	150	
Bonds/Debentures	Salaried	82	78.76
	Business	35	81.76
	Professionals	15	71.30
	Students	12	50.38
	Home Maker	3	15.50
	Retired	3	95.00
	Total	150	
Real Estate	Salaried	82	73.78
	Business	35	68.00
	Professionals	15	80.50
	Students	12	97.63
	Home Maker	3	120.50
	Retired	3	51.50
	Total	150	
Bank Deposits	Salaried	82	82.20
	Business	35	80.99
	Professionals	15	83.70
	Students	12	27.50
	Home Maker	3	27.50
	Retired	3	27.50
	Total	150	
Public Provident Fund	Salaried	82	73.41
	Business	35	72.03
	Professionals	15	86.00
	Students	12	67.25
	Home Maker	3	107.00
	Retired	3	122.00
	Total	150	

contd. table

<i>Investment Avenues</i>	<i>Occupation</i>	<i>N</i>	<i>Mean Rank</i>
Mutual Funds	Salaried	82	80.70
	Business	35	77.73
	Professionals	15	57.50
	Students	12	66.88
	Home Maker	3	20.00
	Retired	3	87.50
	Total	150	
NSC/Post Office Deposits	Salaried	82	71.40
	Business	35	66.80
	Professionals	15	98.40
	Students	12	87.13
	Home Maker	3	69.50
	Retired	3	134.00
	Total	150	
Insurance Schemes	Salaried	82	76.05
	Business	35	74.86
	Professionals	15	57.20
	Students	12	88.25
	Home Maker	3	125.00
	Retired	3	59.00
	Total	150	
Gold	Salaried	82	73.41
	Business	35	75.33
	Professionals	15	73.20
	Students	12	96.13
	Home Maker	3	69.50
	Retired	3	69.50
	Total	150	
Currency & Derivatives	Salaried	82	72.24
	Business	35	74.00
	Professionals	15	80.60
	Students	12	76.25
	Home Maker	3	114.50
	Retired	3	114.50
	Total	150	

**Table 4.2.2**  
**Kruskal-wallis Test Statistics<sup>a,b</sup>**

	<i>Equity</i>	<i>Bonds/ Deben- tures</i>	<i>Real Estate</i>	<i>Bank Deposits</i>	<i>Public Provident Fund</i>	<i>Mutual Funds</i>	<i>NSC/Post Office Deposits</i>	<i>Insurance Schemes</i>	<i>Gold</i>	<i>Currency &amp; Deri- vatives</i>
Chi-square	6.663	11.852	8.785	26.457	6.948	9.622	13.018	8.231	3.102	6.283
Df	5	5	5	5	5	5	5	5	5	5
Asymp. Sig.	.247	.037**	.118	.000*	.225	.087	.023**	.144	.684	.280

a. Kruskal-Wallis Test

b. Grouping Variable: Occupation

c. \* and \*\* Significant at 1% and 5%



**Table 4.31**  
**Mean Rank of Investment Avenues with Respect to Monthly Income**

<i>Investment Avenues</i>	<i>Monthly Income</i>	<i>N</i>	<i>Mean Rank</i>
Equity	<10000	3	93.50
	10000-25000	3	120.50
	25001-50000	51	76.91
	50001-75000	48	64.06
	>75000	39	71.81
	Total	144	
Bonds/Debentures	<10000	3	15.50
	10000-25000	3	69.50
	25001-50000	51	91.65
	50001-75000	48	55.25
	>75000	39	73.31
	Total	144	
Real Estate	<10000	3	114.50
	10000-25000	3	114.50
	25001-50000	51	72.76
	50001-75000	48	61.91
	>75000	39	78.73
	Total	144	
Bank Deposits	<10000	3	24.50
	10000-25000	3	24.50
	25001-50000	51	62.00
	50001-75000	48	97.16
	>75000	39	63.27
	Total	144	
Public Provident Fund	<10000	3	101.00
	10000-25000	3	3.50
	25001-50000	51	65.88
	50001-75000	48	65.47
	>75000	39	92.92
	Total	144	
Mutual Funds	<10000	3	20.00
	10000-25000	3	42.50
	25001-50000	51	74.18
	50001-75000	48	90.97
	>75000	39	53.92
	Total	144	
NSC/Post Office Deposits	<10000	3	66.50
	10000-25000	3	32.00
	25001-50000	51	70.38
	50001-75000	48	74.00
	>75000	39	77.00
	Total	144	

*contd. table*

<i>Investment Avenues</i>	<i>Monthly Income</i>	<i>N</i>	<i>Mean Rank</i>
Insurance Schemes	<10000	3	122.00
	10000-25000	3	122.00
	25001-50000	51	69.76
	50001-75000	48	64.06
	>75000	39	78.85
	Total	144	
Gold	<10000	3	66.50
	10000-25000	3	77.00
	25001-50000	51	71.00
	50001-75000	48	80.09
	>75000	39	65.23
	Total	144	
Currency & Derivatives	<10000	3	111.50
	10000-25000	3	111.50
	25001-50000	51	67.56
	50001-75000	48	68.00
	>75000	39	78.50
	Total	144	

**Table 4.3.2**  
**Kruskal-wallis Test Statistics<sup>a,B</sup>**

	<i>Equity</i>	<i>Bonds/ Deben- tures</i>	<i>Real Estate</i>	<i>Bank Deposits</i>	<i>Public Provident Fund</i>	<i>Mutual Funds</i>	<i>NSC/Post Office Deposits</i>	<i>Insurance Schemes</i>	<i>Gold</i>	<i>Currency &amp; Deri- vatives</i>
Chi-square	7.441	24.971	10.271	31.299	22.336	24.046	3.640	11.829	2.986	8.172
Df	4	4	4	4	4	4	4	4	4	4
Asymp. Sig.	.114	.000*	.036**	.000*	.000*	.000*	.457	.019**	.560	.085

a. Kruskal-Wallis Test

b. Grouping Variable: Monthly Income. \* and \*\* Significant at 1% and 5%

**Table 5.1**  
**Investment Choice Based On Occupation**

<i>Occupation</i>	<i>1<sup>st</sup> Choice</i>	<i>2<sup>nd</sup> Choice</i>	<i>3<sup>rd</sup> Choice</i>	<i>4<sup>th</sup> Choice</i>	<i>5<sup>th</sup> Choice</i>
Salaried	NSC/Post Office Deposits	Currency & Derivatives	Equity	Gold	Public Provident Fund
Business	NSC/Post Office Deposits	Real Estate	Public Provident Fund	Currency & Derivatives	Insurance Schemes
Professionals	Insurance Schemes	Mutual Funds	Equity	Bonds/ Debentures	Gold
Students	Bank Deposits	Bonds/ Debentures	Mutual Funds	Public Provident Fund	Currency & Derivatives
Home Maker	Bonds/Debentures	Mutual Funds	Bank Deposits	Gold	NSC/Post Office Deposits
Retired	Bank Deposits	Equity	Real Estate	Insurance Schemes	Gold

**Table 5.2**  
**Investment Choice Based on Monthly Income**

<i>Monthly Income</i>	<i>1<sup>st</sup> Choice</i>	<i>2<sup>nd</sup> Choice</i>	<i>3<sup>rd</sup> Choice</i>	<i>4<sup>th</sup> Choice</i>	<i>5<sup>th</sup> Choice</i>
<10000	Bonds/Debentures	Mutual Funds	Bank Deposits	Gold	NSC/Post Office Deposits
10000-25000	Public Provident Fund	Bank Deposits	NSC/Post Office Deposits	Mutual Funds	Bonds/ Debentures
25001-50000	Bank Deposits	Public Provident Fund	Currency & Derivatives	Insurance Schemes	NSC/Post Office Deposits
50001-75000	Bonds/Debentures	Real Estate	Insurance Schemes	Equity	Public Provident Fund
>75000	Mutual Funds	Bank Deposits	Gold	Equity	Bonds/ Debentures