
Awareness & Attitude towards Financial / Investment products among Working Professionals in Delhi and NCR

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Abstract

This research is aimed to investigate on the level of awareness about financial / investment products among the working professional in Delhi / NCR. Financial / Investment assets such as mutual funds, fixed deposits, Public Provident Funds (PPF), Insurance, Equity (shares), Recurring deposits (RD), Provident Funds (PF), Post office schemes and Commodity Derivatives are selected for studying level of awareness among sample respondents . Research also analyzed insights about retirement planning, factors influencing decision making for investment, Income range for first time investors and percentage of total income invested in financial products. Cluster analysis technique has been used to divide the entire population into two unique clusters; constituent elements of a cluster have similar characteristics in terms of awareness about the financial / investment products. Upon analyzing data, it is clear that awareness about range of Financial / investment products is very less among working professionals. People hesitate investing in complex financial products such as equities and derivatives due to their risky nature and are quite less aware about the risk management strategies. This research is useful for various investment companies and for people who are looking forward towards making an investment.

Keywords: *Cluster Analysis, Mutual Funds, Financial Assets, Awareness, working professionals*

Introduction

Awareness of investment and financial products among the general public must be analyzed as investors attitudes and preferences are back-bone of any financial system that serves as the intermediary between different stakeholders. Awareness of investment and savings pattern are influenced by many external factors in the line with investors choices of risks and returns. Also, changing financial policies of the Govt., fluctuations in national and international stock exchanges and risk management are some of

the factors taken into consideration before deciding upon any financial or investment plans. While Indian economy is growing robustly, it is also experiencing

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high rate of inflation which usually erodes values of financial products and hence inflation is also one of the major factors influencing investment decision of the public.

Analysis on the attitudes and preferences of the investors is not only useful from the point of view of investors but other stakeholders such as policy makers to frame policies, financial managers and investment agencies to deal with changing scenario of the market. While in India, people have high propensity to save but most of the saving is done in the form of savings accounts in the bank which is the most safest form. Now that India gross domestic saving rate is more than 36%, allocation of funds in the right direction is very important for utilisation of savings into investment. This situation calls for creating awareness of investment opportunities beyond PPF, like debentures, equity, mutual funds, commodities in order to maximize return from investments of savings. It is important to select the best among financial assets with respect to risk-return mix of the asset. Some of assets offer lucrative returns but come with high risks attached to it and some offer low returns with low risks. A perfect investment plan is the one which satisfies all the needs of investor with possible constraints of risk-return combination. Awareness of opportunities of financial investments in terms of risks and return is less among people living in developing nations as compared to developed nations. The paper is an attempt to investigate empirically investors' choice of financial assets in India.

Literature Review

In his research, Raja Rajan (1997) finds that the segmentation of both investors and mutual fund products and then matching these products according as investors' choices of investors is likely to increase popularity of mutual funds.

The study of Gavini and Athma (1999) found that social considerations, tax benefits, and provision for old age were the reasons for saving/investment in urban areas, whereas provision for old age was the main reason in rural areas. The study also mentioned that among the post office schemes, Indira Vikas Patra (IVP), Kishan Vikas Patra (KVP) and Post Office Recurring Deposit Account (PORD) were the most

popular form of investment in both urban and rural areas.

Shanmugham (2000) in his survey on information sources influencing the investor, finds that investment decisions are mainly influenced by economical, sociological and psychological factors.

Lewis A Sanders (2004) believes that people, irrespective of their location, have their own bias and react differently when investing in financial assets.

Nasir and Khalid (2004) assessed behavior of saving and investment in Pakistan using appropriate econometric and statistical technique and attempted to generate a model on the basis of fundamental theories of saving and investment. They used data from 1971 to 2003, collected from Economic Survey of Pakistan. Ordinary Least Square Method was used as an estimation technique. The study concluded that Government Expenditures, Growth rate of Gross Domestic Product and Remittances Growth were positively and significantly influencing National Savings.

Krishnamoorthy.C.(2008) in his study finds four factors viz. the profile, awareness, attitude and satisfaction towards investment influence decisions of the salaried class investors. He has concluded that all salaried people are aware of bank deposits, PF schemes, insurance schemes, post office savings schemes and gold. However only few were aware of UTI.

Rajarajen Vanjeko (2010) in analyzing investment characteristics suggested that the use of these characteristics for a better understanding of choices of individual investors and their needs. for financial product. The study highlights the investor's future preferences as well as increasing popularity of equity as an investment option among individual investors

Ramprasath.S. and Dr. B. Karthikeyan, (2013) in their analysis on individual investors' behavior towards selection of investment assets, state that the majority of the investors give more importance to the "safety" factor while choosing investment assets. Consequently, investment avenues such as Bank deposits, LIC policies and Bullion have been preferred by the individual investors. Similarly, the majority of the investors periodically evaluate the performance of their investment assets.

Research Methodology

Sampling Design and data collection

Primary Data for the study are collected on the basis of the sample selected from working professionals in Delhi and National Capital region. Random sampling technique is used to collect information from the target population using structured questionnaire. The sample drawn from the Population is divided into different strata based on age, gender, occupation, income levels and level of education. The sample size is 250 working professionals in Delhi & National Capital region. For other variables reflecting the customer's choice, likert scale is used in 1,2,...5 point while 1 refers to highest and 5 the lowest preference.

Defining variables and the scale

VAR00001 represents Interest in reading news related to financial products, **VAR00002** represents level of investment in mutual funds, **VAR00003** represents knowledge about online fund transfers NEFT / RTGS, **VAR00004** represents level of usage of Debit / Credit cards, **VAR00005** represents level of investment in insurance policies for tax savings and risk management, **VAR00006** represents filing income tax return online, **VAR00007** represents investment in post office savings schemes, **VAR00008** represents perception about stock market investment, **VAR00009** represents perception about investment in Recurring Deposit's (RD), **VAR00010** shows trade off between investing in gold on a commodity exchange and purchasing physical gold, **VAR00011**

represents trade off between buying shares and depositing money in savings a/c, **VAR00012** represents trade off between investment in fixed deposits and mutual funds.

If Value of VAR0001 = 1, It means respondent always reads news related to financial products in the newspapers/online

If Value of VAR0001 = 2, It means respondent mostly reads news related to financial products in the newspapers/online

If Value of VAR0001 = 3, It means respondent is neutral on reading news related to financial products in the newspapers/online

If Value of VAR0001 = 4, It means respondent does not reads news related to financial products in the newspapers/online

If Value of VAR0001 = 5, It means respondent never reads news related to financial products in the newspapers/online

Methodology & Statistical Tools:

To start with, simple percentage method is used to understand the respondents' choices.

In the next stage, Cluster Analysis technique has been used for analyzing data using the software platforms of both SPSS to find distance between groups of variables. Lastly ANOVA analysis has been done to ascertain significant difference between clusters in terms of choice of investment assets.

Analysis

Table - 1

Financial / Investment product	% of Respondents with most preferred choice
FD (Fixed Deposit)	41.27%
INSURANCE	20.63%
PPF	12.7%
RD	11.11%
MUTUAL FUNDS	6.34%
POST OFFICE SCHEMES	3.17%
PF	1.58%
EQUITY	1.58%
COMMODITY	1.58%

As per table 1, fixed deposits are the most preferred form of investment among working professionals with about 41.27% of respondents ranking it as their most preferred choice. Insurance products are the second most preferred products with over 20.63% of respondents ranking it as their most preferred choice. About 12.7% of respondents ranked PPF as their most preferred choice and about 11.11% of respondents ranked Recurring deposits (RD) as their most preferred

choice. About 6.34% of respondents ranked Mutual funds as their most preferred choice and about 3.17% of respondents ranked Post Office schemes as their most preferred choice. Out of all the Investment / Financial products, Equity and Commodity are the least preferred options with just 1.58% of respondents ranking them as their most preferred choice. 12 variables on the customer's choice and attitudes are inducted through questionnaire.

Table - 2

	% of Respondents	
	Retirement	YES
Planning	NO	68.25%

Only about 31.75% of respondents have started Retirement planning (Table 2), thus majority of sample respondents have no retirement investment as yet.

Table - 3

Most Important Factor Influencing Decision Making for Investment

	% of Respondents
Expert advice	31.75%
Advertisements	6.34%
Word of mouth	14.29%
Prior experience	47.62%

In Table 3, a large percentage of respondents (47.62%) use their prior experience for making a decision for investment, about 31.75% of respondents follow an expert advice while making a decision for investment. About 14.29% of respondents say that

word of mouth is the most preferred factor influencing investment decision making. Only 6.34% of respondents follow advertisements for making a investment decision.

Table - 4

Income Range for First Investment	% of People
0 – 25K	71.43%
26K – 50K	25.4%
51K – 75K	1.58%
76K+	1.58%

As above Table 4, a large majority of respondents (about 71.43%) started investing in Financial /

Investment products at a very early stage of their career when their salary was in the range of 25000 rupees.

Table - 5

% of Total Income Invested in Financial / Investment products	% of People
0 - 10%	55.56%
11- 30%	30.16%
31 - 50%	12.7%
50% +	1.58%

As above in table 5, about 55.56% of respondents invest less than 10% of their total annual income in the financial products and about 30.16% of respondents invest 11-30% of their income in them.

Table - 6

No. Of Financial Products Chosen	% Of Respondents Having Awareness
1 - 2	12.7%
3 - 5	31.75%
6 - 8	33.33%
8 - 10	22.22%

As in Table 6, only 12.7% of respondents have awareness about just 1 – 2 products, 31.75% of respondents are aware about at least 3 - 5 financial products and about 33.33% of respondents say that

they are aware about 6 – 8 financial products. About 22.2% of respondents have awareness about 8 – 10 financial products.

Table - 7

"Saving Bank Account" OR "PPF"	% of Respondents with preferred choice
Saving Bank Account	31.75%
PPF	68.25%

Table - 8

Awareness about the financial terms such as Systematic Investment Plan (SIP)	% of Respondents	
	YES	61.90%
	NO	38.09%

In Table 7 & 8, about 68.25% of respondents prefer PPF over Saving Bank accounts while about 61.90% of the respondents are aware of basic financial terms such as Systematic Investment Plan (SIP) and about 38.09% of respondents are not aware of them.

Cluster analysis

The author initially has undertaken hierarchical clustering to measure of distance between all pairs of objects to be clustered through measure of Euclidean Distance. Results obtained from hierarchical clustering are helpful to decide how many

clusters data seem to have, depending on the agglomeration schedule. In the sample data set, it appears that it is reasonable to decide on two clusters namely, those who do not read Newspaper/online about financial products (C1) and those who sometimes read Newspaper/online about financial products (C2). At this stage, non-hierarchical clustering methods (also known as k-means clustering methods), has been used by specifying the number of clusters we want the objects to be clustered into. Of total 250 observations, C1 consists of 35 observations while C2 have 215 observations.

Table - 9

Final Cluster Centres

Variables	Cluster	
	C 1	C 2
VAR00001	2.78	2.67
VAR00002	4.56	3.52
VAR00003	4.11	1.78
VAR00004	4.11	1.56
VAR00005	2.67	2.02
VAR00006	4.33	2.17
VAR00007	2.56	3.00
VAR00008	4.22	2.69
VAR00009	2.22	2.15
VAR00010	4.11	2.50
VAR00011	4.22	3.44
VAR00012	1.89	2.30

Cluster 1: Interpretation of Variables

Cluster 1 consists of respondents who rarely read news related to financial products in the newspapers / online and hence can be classified as not aware of financial investment opportunities. They do not invest their savings in mutual funds, do not transfer money online using NEFT / RTGS and very rarely use debit and credit cards for online transactions, sometimes invest in insurance policies for tax saving and risk management, do not file their income tax returns online, sometimes invest their saving in Post office saving schemes, do not think stock market investments can be a right mode of investment for them, believe recurring deposits are a good mode of investments,

think purchasing physical gold is a better investment option than investing in gold on a commodity exchange, would prefer depositing their money in a saving account rather than buying shares with it and strongly believe fixed deposits are better investment options than investing in mutual funds.

Cluster 2: Interpretation of Variables

Cluster 2 consists of respondents who sometimes read news related to financial products in the newspapers / online and we can consider them as somewhat aware of financial investment. Rarely invest their savings in

mutual funds, most of the time transfer their money online using NEFT / RTGS and most of the time use debit and credit cards for online transactions, regularly invest in insurance policies for tax saving and risk management, mostly file their income tax returns online, rarely invest their saving in Post office saving schemes, to an extent are neutral on stock market as mode of investment for them, believe Recurring deposits are a good mode of investments, think investing on a commodity is a better investment option than purchasing physical gold, give preference to depositing their money in a saving account rather than buying shares with it and to an extent believe fixed

deposits are better investment options than investing in mutual funds.

Since we find from the cluster analysis that two groups of investors have different choices regarding their financial investment pattern, we frame the following hypothesis:

H01: There is difference of choices of investment products between those who do not read newspaper on financial product and those who occasionally read newspaper.

Table 10 list the results of AVOVA of all twelve variables with respect to groups defined above.

Table 10

ANOVA

	Cluster		Error		F	Sig.
	Mean Square	df	Mean Square	df		
VAR00001	.095	1	1.140	61	.084	.774
VAR00002	8.296	1	1.241	61	6.685	.012
VAR00003	42.000	1	1.086	61	38.688	.000
VAR00004	50.381	1	.659	61	76.406	.000
VAR00005	3.241	1	1.164	61	2.785	.100
VAR00006	36.214	1	1.270	61	28.504	.000
VAR00007	1.524	1	1.545	61	.987	.325
VAR00008	18.225	1	1.364	61	13.361	.001
VAR00009	.042	1	.695	61	.061	.806
VAR000010	20.024	1	.924	61	21.661	.000
VAR000011	4.667	1	1.129	61	4.132	.046
VAR000012	1.280	1	.789	61	1.622	.208

From ANOVA results (table 10) we analyse that difference between those who read newspaper and those do not is not significant and F value is small indicating that two groups do not differ significantly in terms of sample characteristics. Yet choices are significantly different across the 2 clusters as variables 2, 3, 4, 5, 6, 8, 10 and 11 are significant at the 0.10 level (equivalent to 90% confidence level) The other variables are not statistically significant, as they all have values greater than 0.10. Thus results of the analysis is interesting as it reflects that somewhat difference in awareness of the investors through newspaper reading makes an impact on the choices of financial products . This only corroborate to the concept that investors need to be educated about the financial products in order to make the right choice of allocation of their savings on financial investments.

Conclusion

Awareness about a wide range of Financial / investment products is very less among them. Fixed deposits, Insurance and PPF are the three most preferred form of investment among working professionals. Very few people invest in financial products such as Mutual funds, Equity and Commodities. Retirement planning is not very popular among working professionals, the majority of the people have not even started thinking about it. Expert advice and Prior experience are the two most important factors that influence decision making for Investment. A large majority of working professionals started investing in Financial / Investment products at a very early stage of their career. People generally invest less than 10% of their total annual income in the financial products. For long term investments, People prefer PPF over Saving Bank accounts. PPF is also preferred over Equity linked saving schemes for availing tax benefits. People hesitate investing in complex financial products such as Equities and derivatives due to their risky nature and are very less aware about risk management strategies.

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