

Investment Awareness and Financial Literacy of Professionals

Dr. Pratima Jain, Dr. Deepak Shrivastava, Ms. Isha Joshi

Associate Professor, Prestige Institute of Management & Research, Indore

Pratima_jain@pimrindore.ac.in

Professor- Institute of Management Studies, Devi Ahilya University,
Indore

dsindore@gmail.com

Senior Lecturer, Department of Law, Prestige Institute of Management and Research, Indore

Isha_joshi@pimrindore.ac.in

Abstract

Professionals these days are more creative and technology savvy than the older age. Professionals are more concerned about their financial status and more inclined towards investment nowadays. This research seeks to examine the awareness towards investment and to check the financial literacy among a Professionals. This study used primary data by questionnaire, and the samples chosen are from the Professionals like CA/Legal Advisor/Corporate Executives, Academicians, Doctors/Practitioners, Government Employees, Private Sector Employees and IT Sector Employees. The objective of this is to examine the relationship between awareness and the various factors of the investment and also to examine the financial literacy of the Professionals. Based on the readings on investment awareness, it is found that Professionals are less aware of the diversification and tax implications, however, they seek the help of financial advisors for their investments. Finally, the limitations and recommendations are included to help further researchers to have a better finding of the result.

Keywords: Awareness, Financial Literacy, Advisor, Investment.

Introduction

Investments are a critical component of the country's economic development. As the business climate shifts quickly, the economy has a lot of potential, and corporate management aspirations are high, a company would typically want to grow in order to maximize its profits. Investing contributes to the development of financial markets where businesses can collect money. Investors' general belief is that they should buy when the market is in an uptrend and avoid investing when the market is in a downtrend. However, investment is a multi-step process that begins with careful preparation and analysis of the current situation as well as the risk tolerance level of the investor. Investors should begin investing at a young age in order to ensure a stable future with minimal risk. Small investments made early on result in a large capital base later on. Investors should remember the fundamentals of investments when making investments. Every investment option comes with its own set of risks, such as inflation risk, liquidity risk, and so on, as detailed in the chapter. The researcher has also shed some light on the macro and micro factors that influence investment decisions, such as GDP, interest rate, and money supply, among others. Micro considerations include things like age, profession, and marital status. There are some significant factors that influence an investor's decision. Investment is a phase that necessitates a great deal of preparation, from determining the investment's goal to reaping the benefits. Portfolio development, which includes risk diversification, timely investment, avenue selection, and fund allocation, are also included. In addition to the regular feedback. The researcher chose Madhya Pradesh as a study area because of the State's overall growth, which drew the researcher in to examine the investor's risk-taking behaviour. People's involvement in various investment avenues, such as gold, real estate, equity, and debt, has also been observed by researchers. The researcher investigated the factors that influence professionals' investment behaviour.

Investment behaviour is related to activities of individual investors regarding searching, evaluating, acquiring, reviewing the investment products and if necessary, disposing such investment products. The individual investor weighs the benefits of consuming today against the benefits that may be gained by investing unconsumed funds in order to enjoy greater consumption at some point in the future. If the individual chooses to defer consumption, he will, according to theory, select the Portfolio that maximizes long-term satisfaction. (Ansari & Moid, 2013)

The investors with higher risk appetite want to experiment and try new and exotic products in the name of diversification. This has resulted in emergence of new options within the same or fresh asset classes. There are more products available within each asset class be it Equity, Mutual Fund, Gold, Real Estate. Every investment is exposed to one or another type of risk. There are five major risks in investment, which may be present in varying degrees, in different sorts of investment: non- payment risk, business risk, inflation risk, political risk, and social risk. Therefore, an investor, while investing money would try to satisfy the three objectives- safety, profitability, and liquidity.

There is large number of investment avenues available in the market. The people have to choose proper investment avenue depending upon their need, risk preference and return expected. The plenty of investment avenues available for the investors make their decision making process more critical and complex. There are number of factors which influence the people to make their investment decisions such as income, age, gender and others. The different investors invest in different type of investment avenues. The professional investors like doctors, lawyers, academicians, bankers and others prefer to invest in very safe and secure type of investment avenues. Each professional investor has different investment strategy regarding their preferred investment avenues. The various investment avenues available in the market are equity, preference, debentures, precious metal, gold, silver, real state, life insurance, public provident fund, mutual fund, fixed deposits, post office savings & many more.

Determinants of Investment Behaviour

Investment avenues for an individual or family or household are many, generally known as “instruments”. The preference shown by an investor in choosing a particular instrument is called ‘investment behavior’. The process of investment commences with surplus income, which includes operating and non- operating earnings. The prime determinants of investment behaviour of an individual are: sociological factors, such as culture or sub culture, social classes, reference group; and psychological factors like personality, attitude, beliefs, values and perceived investment- related benefits.

Risk: This factor is important in taking the decisions for the investment as investors make themselves sure about the risk of their amount and want to compare the performance of avenues from the past history so that they can expect less risk in investing their money. In India, people are very conscious about the risk factors especially who are professionals because they have conscious about the less risk or more risk.

Returns: Investors want to invest in those funds which have good returns in short and long period. At the same time they want to keep their money in safer zone and very careful when funds depend upon the market situations. People who invest their money in market based funds and expect the best returns or a long time so they prefer in this type of avenues. Hence, companies have many plans for the professionals to segmented their criterion.

Time Period: Investors plan for investment as per the time period. They have their own financial goals so they accommodate the timeline for short term and long term growth. In this way, they meet their objectives with intellectually and the reach their targets. Time horizon is very important as it can tell them how to reach a certain goal. Time period has connection with the risk tolerance.

Tax Implications: Tax planning refers to the logical analysis of a financial situation with the view of reducing tax liability. It is also consider that those investors who want to save their tax so they plan accordingly for the tax saving. In this situation, they do not bother about the returns because they get average returns at no risk. The tax plan ensures that all elements of the financial plan work together to pay the lowest tax. Through tax planning, individuals ensure they can attain maximum tax efficiency.

Liquidity: It also affects the investment behaviour as it refers to how easily or quickly a security can be brought or sold in a secondary market. Liquid investments can be sold readily and without paying a hefty fee to get money when it is needed.

Safety & Security: People prefer safety and security of investment. Their utmost concerns is attached to this concept so they compare among the available options of investment and take decision accordingly.

Diversification: Diversification is an investing strategy used to manage risk. Rather than concentrate money in a single company, industry, sector or asset class, investors diversify their investments across a range of different companies, industries and asset classes. Diversification is a technique that reduces risk by allocating investments across various financial instruments, industries, and other categories.

Knowledge: Financial literacy is very important that affects investment behaviour. Investment is an economic activity that can be a way for a person to expand or maintain his wealth. However, in investing, the public must be more careful in making decisions so that they are not trapped by fake investments. Investors should have knowledge about investment conditions, stock valuation, risk levels, and investment returns. Knowledge influences the collection, management, and evaluation of information used in the decision-making process. Good knowledge helps investors choose the type of investment that is safe and profitable. Without sufficient knowledge, investors face difficulties to initiate transactions. Investors need to understand the correct financial management in the future, so they must have the understanding to determine the type of investment that is most profitable in a certain period. Investment knowledge is information that has been processed that supports the commitment of investors to allocate resources to obtain future benefits by considering the risk and time.

Ease of Convenience: It denotes the accessibility and operating financial instruments at the ease of the investors. Through the advancement of technology and all the information are uploaded on the portal so it makes an easy for the investors to operate the functions efficiently.

Review of Literature

According to the study by **Gurbaxani, Arpita, and Gupte, Rajani, (2021)**, COVID-19 pandemic has affected investment and financial decisions of individuals in small towns in developed countries such as India. An analysis of the literature on COVID-19 and the government's response to the pandemic was conducted. In Madhya Pradesh, a sample survey was performed to assess the effect of COVID-19 on individual financial transactions (MP). During the COVID-19 pandemic, respondents registered a 43 percent decline in SIP investments. Although all genders saw a drop in spending, the gap in percentage declines was statistically insignificant. Furthermore, investor age had little effect on investment conduct. The findings shed light on the microeconomic implications of the COVID-19 epidemic and could help financial institutions and individuals to deal with similar circumstances in the future. The current study's spectrum is limited. Studies can also recommend strategies and interventions to assist policymakers in dealing successfully with future crises.

Akshay Bhisikar and Yogesh B. Dhoke (2020) examined a variety of investing opportunities currently available in the market, including bank FDs, gold, real estate, mutual funds, bonds, and several others. Investors invest their capital for a variety of reasons and goals, including benefit, prosperity, recognition, and income stability, among others. The findings of the study suggest that future protection and well-being are important considerations when making investments. Investors are well aware of the various investment opportunities available in Nagpur City.

Mini et al. (2020) in their research, they discovered that investing is primarily undertaken with the aim of earning or obtaining a predictable, risk-free return on investment. In terms of investment initiatives in our region, a variety of investment practises are available, ranging from various investment policies involving shares or debentures. This study was conducted with the aim of determining people's knowledge of mutual funds among the nation's investing community and recommending more simple practises for being acquainted with them among the suggested population. The research attempted to demonstrate that the respondents for the study should receive the requisite and appropriate

Sohail Akhtarhussain Ansari (2020) stated that Investment and saving should go hand in hand, according to Sohail Akhtarhussain Ansari (2020). Investment and saving should go hand in hand because investment can only be achieved while there is saving. According to the researcher's findings, respondents invest their capital in a variety of investing avenues available in the market in order to earn a decent return or, more importantly, for future security. Bank deposits, mutual funds, real estate, gold, insurance, and public provident funds are some of the savings opportunities available in the industry. According to the results of the analysis, the majority of respondents choose bank deposits as the best investment option available in the industry.

Trivedi, C. (2020) assessed the Investment behavior of working class women in Chennai. Working women are well-aware of savings avenues, according to the results, and both government and private sector working women in the research area have a similar knowledge level regarding savings avenues. Working women indulge in income

tax benefits, equal returns, retirement corpus accumulation, children's college, wedding costs, vacations, and liquidity. Furthermore, the research found that working women in the study area have a significant relationship between annual wages and savings.. Furthermore, the report found that among working women in the study field, there is a strong link between annual income and investment.

Jain, P. and Tripathi, L.K. (2019) examined the fact that today's economy is competitive. The reach of the finance and investment industries has expanded. Investors of both types can choose from a variety of investing options. An investor will create wealth for his future if the capital is invested in either mode with proper planning and strategy. The research reveals that a number of factors influence an investor's decision to invest. It also suggests that more research be conducted into the saving and spending habits of Indore's working women. The findings of this analysis will be very useful to clients, investment planners, policymakers, and money managers, among others.

Research Gap

Based on the previous studies or literature review it is found that so far some researches deal with statistical tools or quantitative tools to analyse the investors; behaviour towards various investment avenues. The past studies concluded that investors' behaviour depends upon their needs and situations. They give recognition to higher returns and safe returns. But for the last one year, dynamic changes have been observed in the behaviour of investors. Due to covid-19, professionals are investing in small period of time as they know that time is uncertain so it is better to avail the benefits on short term period. They develop their attitude towards health system and want to invest in medical care services.

Objectives:

1. To study the awareness about available avenues among professionals.
2. To study the financial literacy among professionals towards investment avenues.

Research Methodology

The study is descriptive in nature as basic need is to identify the investment behaviour of Professionals. Through the self-structured questionnaire, responses have been collected from the 400 investors to examine their attributes which lead them to make investment. The method of sampling is random as equal chance is given to all the population concerned. The research approach is deductive. For the study, Madhya Pradesh State was chosen and in this State cities like Indore, Bhopal, Jabalpur, Dewas, Ujjain, Gwalior where respondents had participated with enthusiasm. Through Google form ,their responses were invited. The reliability of the 20 statements based on awareness level of investors is .957 and the reliability of the 22 statements associated with investment behaviour is .958 so the value of reliability is excellent, hence, the scale is reliable to carry out the further analysis. To measure the hypotheses, t-test, ANOVA were applied.

Results:

| Hypothesis | Factors | F/t-value | Significance | Results |
|--|---------------------|-----------|--------------|----------|
| H ₀₁ : There is no significant difference in the awareness of Professionals towards the Investment factors. | Risk | 2.497 | 0.030<0.05 | Rejected |
| | Returns | 3.809 | 0.002<0.05 | Rejected |
| | Time Period | 2.639 | 0.023<0.05 | Rejected |
| | Tax Implications | 0.864 | 0.506>0.05 | Accepted |
| | Safety & Security | 4.382 | 0.001<0.05 | Rejected |
| | Liquidity | 6.792 | 0.000<0.05 | Rejected |
| | Diversification | 1.305 | 0.261>0.05 | Accepted |
| | Knowledge | 2.640 | 0.023<0.05 | Rejected |
| | Ease of Convenience | 1.249 | 0.286>0.05 | Accepted |

The data shows that for the tax implications, diversification and ease of convenience, no differences are observed among the professionals but for other factors like risk, returns, time period, safety & security, liquidity and knowledge, they have differences. Hence, in these factors, null hypothesis is not accepted.

H₀₂: There is no significant difference in the financial literacy of Professionals in approaching Financial advisor or Planner to seek advice on Investments.

ANOVA Table on Approached Financial Advisor or planner to seek advice on Investments

| Investment Factors | Professionals | | Mean | Standard Deviation | F-value | p-value |
|--------------------|---------------------------------------|-----|--------|--------------------|---------|---------|
| Seeking Advice | CA/Legal Advisor/Corporate Executives | 58 | 1.6724 | .47343 | 1.161 | .328 |
| | Academicians | 77 | 1.6494 | .48030 | | |
| | Doctors/Practitioners | 86 | 1.6279 | .48620 | | |
| | Government Employees | 62 | 1.5161 | .50382 | | |
| | Private Sector Employees | 74 | 1.6351 | .48468 | | |
| | IT Sector Employees | 43 | 1.5116 | .50578 | | |
| | Total | 400 | 1.6100 | .48836 | | |

The table exhibits the difference in the financial literacy of Professionals in approaching Financial advisor or Planner to seek advice on Investments. All the group of Professionals are equally seek advice from Financial advisor on investment. The value of F is 1.161 which is insignificant at 0.328 > 0.05 so the null hypothesis 'There is no significant difference in the financial literacy of Professionals in approaching Financial advisor or Planner to seek advice on Investments' is not rejected.

Conclusion

The research aims at studying the determinants of investment behaviour. The objectives of the study were to study the awareness level of investors and their behaviour towards investment. The study evaluated the most effective source for investment decisions, to study the risk tolerance level of the individual investor and suggest a suitable portfolio, to analyse investors saving and risk attitude towards different investment avenues and to develop a profile sample of Indian individual investor in terms of their purchase power. This study has been aimed to get more insight on the investment behaviour of individuals based on their demographic factors like age, marital status, gender, income, educational qualification and profession. In this study on the basis of the demographic characteristics, it has been found that their investment behaviour vary depending on the social, economic, cultural and risk attitude factors. Idea of study was to found impact on investors behaviour on avenues like real-estate, gold, debts and equity, mutual fund schemes, insurance, FDs etc. and the preferences made by the investors among the available avenues and findings disclosed that investors are more prone towards investing in safe avenues and they consider such factors while investing that is risk, returns, liquidity, diversification, tax implications, time period, knowledge, ease of convenience etc.

Suggestions

This study has given some suggestions for creating awareness about the investment avenues so that investors may get information that helps out in their investment decision. Intermediaries providing consultancy, they would understand the need of investors and suggest plan accordingly. These are as follows:

- ❖ Brokers/Agents and AMC's employees should be enough qualified to respond to the queries of investors' instantly. Through various training programs they should acquainted with the various plans.
- ❖ At an interval of time they should conduct awareness programs for their investors so that they could understand the risk factors, returns etc.
- ❖ Female investors also come forward to invest and it is important for them to put their money in safer hands.

- ❖ Investors should invest before considering the past performance.
- ❖ Investors should regularly check the websites and update themselves with the current information.
- ❖ Investors should spread their money into different options to avoid the risk.
- ❖ Before going investment, investors should attend various programmes conducted by authorised persons for their increasing awareness towards investment avenues.
- ❖ Most of the investors are not aware of dealing in capital market. Investors interested to invest in such mode of investment should be given some basic knowledge about operations of Funds. Investors should also be aware to frame their investment objectives and know how to diversify the risk in their portfolios.
- ❖ Government and financial institutions should also take some initiative to motivate women investors by educating them and providing extra benefits to them in all types of investments.
- ❖ Government and investment companies should take initiative to come forward with full support for the investors in terms of investors' awareness, advisory services, participation of investor in portfolio design & management, ensure full disclosure of related information to the investors.
- ❖ Proper consultancy should be given to the investors after identifying their needs & make them understand terms, conditions and operations of different schemes. Information should be published in investor friendly language and style, effective grievance system, education on investors' right and more control on asset management companies should be there. So that more investors could step forward which will ultimately leads to the development of economy.
- ❖ It would also be clearly mentioned in the reports, how the parameters have been complied with. However, in case any unrated debt security does not fall under the parameters, the prior approval of Board of AMC and Trustee shall be sought.
- ❖ Investments made from the net assets of the Scheme(s) would be in accordance with the investment objective of the Scheme(s) and the provisions of the SEBI (MF) Regulations.

References

- [1] Akshay Bhisikar and Yogesh B. Dhoke (2020) An Analysis on Investment And Saving Pattern of Salaried Employees with the Reference to Nagpur City International Journal of Creative Research Thoughts (IJCRT). Volume 8, Issue 10, pp. 1283-1301.
- [2] Bahl, S. & Rani, M. (2012) A Comparative Analysis of Investment Plans in India. *International Journal of Marketing, Financial Services & Management Research* Vol.1 Issue 7, pp. 67-79.
- [3] Bhavik U. Swadia (2017) A Study on Investor Behaviour Towards Investment Pattern Portfolios. A Referred International Journal of Multidisciplinary Research. Vol. 3, Issue 4, pp.41-50.
- [4] Gurbaxani, Arpita and Gupte, Rajani, (2021) A Study on the Impact of COVID- 19 on Investor Behaviour of Individuals in a Small Town in the State of Madhya Pradesh, India, *Australasian Accounting, Business and Finance Journal*, 15(1), 70-92.
- [5] Jain, P. and Tripathi, L.K. (2019) Investment Behaviour: An Analytical Review. *Advances in Management* Vol. 12 (1), pp.145-150
- [6] Nishi Bhardwaj & Shivani Chouhan (2019) Saving and Investment Pattern of Salaried Employees at Chandigarh University. *International Journal of Research and Analytical Reviews*. Volume 6, Issue 1, pp. 885-891.
- [7] Patil, S. and Nandawar, K. (2014) A Study on Preferred Investment Avenues Among Salaried People With Reference To Pune, India. *IOSR Journal of Economics and Finance*. Volume 5, Issue 2. PP 09-17.
- [8] Sameer S. Manek (2017) Investment behaviour of professional people of Rajkot City. *International Journal of Research in all Subjects in Multi Languages*. Vol. 5, Issue: 12, pp-46-49.
- [9] Shibli. K and R.Arumugam (2019) A Study on the Investment Behaviour of Salaried Women Employees in Kozhikode, Kerala. *The International journal of analytical and experimental modal analysis* Volume XI, Issue IX, pp. 1304-1310.
- [10] Sood, D. and Kaur, N. (2015) Study of Saving And Investment Pattern of Salaried Class People with Special Reference to Chandigarh (India). *International Journal of Research in Engineering, IT & Social Sciences*, Volume 5, Issue 2, pp.1-15.

- [11] Sohail Akhtarhussain Ansari (2020) "A Study On Savings And Investment Pattern Of Salaried Class People With Reference To Pune City, Maharashtra, India", International Journal of Emerging Technologies and Innovative Research. Vol.7, Issue 1, page no.51-55.
- [12] Trivedi, C. (2020) A Study on Investment Behaviour of Working Women in Chennai City. The International journal of analytical and experimental modal analysis. Volume XII, Issue II, pp. 2763-2773.