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Research Article

Digital Investment Avenues & individual's perception towards Digital Investment with reference to Mumbai City

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Abstract:

An important aspect of one's life is to utilise the idle money to create or increase their wealth. Investment is a commitment of your funds which have been saved today to fulfil the future goals. Investment is a process by which your wealth which is lying idle is employed somewhere to increase the wealth. Although, people are still reluctant to choose new options to make their idle money to grow and unaware of various avenues and importance of a wise investment in one's life. Digital Investment helps the investors to know their status of investment and ensures smooth and hassle free trading.

In this paper, we are going to discuss where and how people make a decision about their investments options & what are the various options available to an individual to invest their money. This paper compares the traditional V/S modern investments like Bond Investments & Fixed deposits with Mutual funds and capital markets, & also compares the aspects of Physical gold and Paper gold. Further on this paper describes what are the factors that motivates an individual to make certain investments & the perception of an individual about their Investments and wealth creations. And lastly this paper also discusses why there is a need for diversifying one's portfolio to gain stable growth and less risk. As this new normal has changed the way an individual used to live their lives.

Key Words: Investment, Wealth, Investment avenues, Diversification, Digital Investment, Online Trading, Portfolio Management

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Introduction:

The year 2020 has been declared as a pandemic year, people have changed the perception towards their lives. The change has been seen in all the aspects be it saving or spending, year 2020 had taught us, how important is the habit of investing. So, this paper is discussing in detail the various avenues available for investing to an individual and the factors that affect an individual's decision while making the choice for the investment.

In simple words investment can be defined as a purchase of an asset or item that are not consumed today but are used for the future to create wealth or increase the wealth. In finance, an investment is a monetary asset purchased with the intention that the asset will yield income in the future or will later be sold at a higher price for profit. Investment is oriented toward future returns, and thus comes with some degree of risk.

Most of an individual wants to make sky high returns in a less time with their investment. And the way the markets have been fluctuating in the current time many people think making money by investing in modern investment avenue is a better option as compare to the traditional investment. And This is the reason why many individuals are always on the lookout for capital market investment options where they think that they can double their money in short period of time with little or no risk. In reality, risk and returns are directly related and go hand-in-hand, i.e., higher the risk, higher is the return, and vice versa. So, the time when it comes to selecting an investment option one has to measure the risk profile with the returns which will be earned on those investment.

This paper considers the importance of understanding and accepting one's appetite towards the risk and selecting flawless investment option that motivates youth of India towards investment. And also tries to find the factors that affects the choice of investment like the expectations of return, the tenure of an Investment, the goals that one has to fulfil, the opinions that influences one's decision.

There are five main types of, or asset classes, that one can choose from, each with distinct features benefits and risks. The more one be familiar with the different types of assets the better decision can be made about piecing together a mix that would fit with one's personal circumstances and risk tolerance.

1. **Growth investments**: These are the investment which has been made for long time considering that in long the value or returns of these investments will increase. typically, this investment strategy which focuses on capital appreciation. The one who follows this strategy are termed as growth investor. The investments termed as growth investments are:

- **Shares/ Stocks:**
  Shares are one of the best investment avenues available under contemporary investment choices as it is gives maximum optimization of money in medium to long run. If you hold share, you may receive income from dividend along with capital gains that you receive at the time of sale of share. It also requires passions in adverse situations. As markets are volatile the price of share also fluctuates but in majority of times it gives positive returns if you invest for medium to long run. Nifty touched 7,511 on March 24, 2020 as the coronavirus pandemic roiled equity markets globally, against which as on April 22, 2021 it is at 14,406,which is almost double in a span of one year
- **Mutual Funds**: Mutual funds are considered as one of the most suitable option currently available in market. As it pulls the money from the investor sharing the same Interest& invest in various financial instruments like debt, equity, venture capital etc. As mutual funds are managed by the fund manager having professional knowledge and experience helps an individual to trade of risk and return. One of the best examples is "Equity link savings scheme' as a growth investment.
- **Exchange Traded Funds:** Exchange Traded Funds are passively managed funds which invest pooled funds in diversified securities taking an index fund as a benchmark. It is a marketable security which can be traded on stock exchanges across the country**.** The risk associated with ETFs depends on the type of underlying index.

2. Defensive investments: The term itself suggests that the investment defend the investor from losing out on capital. These are more focused on consistently generating income, rather than growth, and are considered lower risk than growth investments.

(i) National Pension Scheme (NPS):NPS is a savings scheme administered and regulated by the Pension Fund Regulatory Authority of India (PFRDA). It pools in money from numerous investors and then invests the corpus in various equity and debt securities.This saving scheme is especially designed for building retirement corpus. Regular investment throughout your working life is withdrawn partially at retirement and the remaining amount is disbursed as regular pension. An additional deduction of Rs. 50,000 over and above Rs. 1.5 lakh available under section 80 CCE in income tax.

(ii) Insurance:Insurance isone of the important parts of good investment portfolios. Life insurance is an investment for the security of life. The main objective of other investment avenues is to earn a return but the primary objective of life insurance is to secure our families against unfortunate event. It is popular in individuals. Other kinds of general insurances are useful for corporates. And above all the life insurance premium up to 1,50,000 is also exempted from the tax under sec.80 (c). Premium on medical Insurance avail tax deduction up to Rs. 25,000 under section 80 (D).

3. Cash: Cash investments include everyday bank accounts, high interest savings accounts and short-term deposits, overnight funds. They typically carry the lowest potential returns of all the investment types.While they offer no chance of capital growth, they can deliver regular income and can play an important role in protecting wealth and reducing risk in an investment portfolio.

4. Fixed interest: The best-known type of fixed interest investments are bonds, which are essentially when governments or companies borrow money from investors and pay them a rate of interest in return.Bonds are also considered as a defensive investment, because they generally offer lower potential returns and lower levels of risk than shares or property.They can also be sold relatively quickly, like cash, although it’s important to note that they are not without the risk of capital losses.

(i) Bank Fixed Deposits: The most common type of investment vehicle in India is Bank Fixed Deposits (FDs). It offers fixed interest rate on your principal amount. With guaranteed fixed returns and flexible maturity periods, fixed deposit is the most sought investment avenue. An investor makes a lump-sum deposit and earns interest at a rate which is greater than that of a savings account.This lump-sum deposit plus interest accrued is withdrawn at maturity.

(ii) Public Provident Fund: Public Provident Fund is another fixed income savings scheme started by Government of India. Under this scheme, the interest on your principal investment is paid by the government.Facilities such as withdrawal and extension of maturity are available in a PPF account. You can also avail loan backed by your PPF account.

(iii) Bonds/ Debt funds: Bonds is another fixed-income instrument which yields returns at a fixed rate of interest. In essence, it is a loan which an investor lends to the issuer of the bonds. These issuers can be corporate firms or the Government of India. They issue bonds to raise funds to finance their operations or expand their business.Bonds are another low-risk investment option as the chances of the issuer party to default on payments are miniscule.

(5) **Alternative Investment Instruments:** All those financial instruments that don’t feature under fixed-rate and market-linked investment instruments come under alternative investment instruments. Gold and Real Estate are the most common and profitable alternative investment vehicles:

(i) **Gold:** Gold is a commodity whose price fluctuation over the years has made it the most reliable investment vehicle. There has been a steady rise in the price of gold in the last decade or two.It is considered a low-risk investment when viewed from a long-term perspective. An investor should invest some percentage of their total investment amount in gold to hedge themselves against any potential market risk.

(ii) **Real Estate:** Real Estate Investment refers to any investment made in physical properties such as land, buildings, shops, etc. It involves purchase, ownership and management of the real estate property.An individual can earn from real estate in two ways. One way is to buy a property and then sell it at a higher price after few years. Another way to generate income on your real estate is to put it up on rent.

Factors affecting choice of Investment Avenue

1. Risk Vs Reward: Any investment would involve a certain degree of risk. What's important is that you take on calculated risk and stick to a risk/reward ratio suitable for your risk appetite. A risk/reward ratio compares the expected returns of an investment to the amount of risk undertaken to invest in that asset.This ratio is calculated by dividing the amount the investor stands to lose if the price moves in the unexpected direction (the risk) by the amount of profit one expects to have made when the investment is closed out.

2. Individual Risk Appetite: One man's food is another man's poison – the same goes for investment. What works for your friend may not be the best investment choice for you. The main reason could be you have a different risk tolerance, which may lead you to sell off the investment during volatile periods.

3. Investment Capital: The amount that you invest would also affect choice of an investment. There is a clear difference between what you can invest in with 10,000 compared to 100,000. However, this does not mean that you are severely limited if you do not have a huge amount of spare cash. It is not rare for investors to invest in leveraged products or use loans to give them the gearing they need.

4. Time Horizon: One of the key distinctions between trading and investing is that the latter usually takes on a longer time horizon. The investment horizon determines the investor's income requirements and desired risk exposure, which then helps in choosing the appropriate investment product.For certain investment, there is a risk of loss if you close out before the expected investment horizon, especially when it comes to fixed-income assets. Another reason is that given a longer time horizon, the relative volatility of the investment is smoothed out over the entire period and can effectively temper huge potential losses during certain volatile months.

Key investment mistakes to avoid during COVID-19:

1. Stopping SIPs (Systematic Investment plans)
2. Considering profit or aggressive selling
3. Focusing on particular segment or sector or stock
4. More emphasising on market price and not considering fundamentals of the company
5. Following trends without analysing the stock
6. Emotion driven decisions

Literature Review:

The review of literature made for this study on perception of investors towards various investment avenues shows that the major impact is based on decision making of all investors. To justify the need of present study, following literature has been reviewed. Sujit and Amrit (1996), stated that the main factor influenced the salaried and business class group to invest in mutual fund were tax benefit. Agarwal (2001), suggested that the public provident fund is the most beneficial investment for all group of people (salaried class, self-employment and retired persons) as well as for both tax payer and non-tax payer. Tapan and Nalini (2002), expressed that investors are very much concerned about the safety and minimum return for the amount invested in the mutual fund. Factors like tax rebate under section 80 C and past performance of the company will also be taken into consideration by investor before making investment. Chalam (2003), argued that the majority of the investor the first choice of investment is real estate and the second preference to the mutual fund schemes followed by gold and other metals. Singh (2006), analyzed that investment decisions making done by the majority of investor based on the recommendation done by the professionals and financial advisors. Muttapan (2006), concluded that the factors influencing to invest in mutual fund are tax exemption. Ranganathan (2006), studied that the retirement purpose the investors preferred to invest in the pension fund as well as provident fund and they were not preferred to investment in mutual fund for their future need. Mittal et al, (2007) stated that service class, business class, housewives, professionals and students are preferred to invest in equity/mutual fund, debenture/bonds, real estate/ bullions, post office deposits/derivatives and derivatives/equities respectively. IIM Data work (2007) analyzed that there is an association between education level and financial behavior of the investor. Irrespective of the educational deposits in the bank is popular among all the investor. Mitta and Vyas (2008), studied that the demographic information such as age, educational qualification, income and marital status will have significant effect of an investor investment decision. Gupta and Jain (2008), analyzed the main reservations of the investors towards mutual fund are volatility, price manipulation, wrong attitude of brokers, mismanagement of corporate executives. Parihar et al, (2009), pointed out that return followed by liquidity, flexibility, affordability and transparency are the influential factors to make investment in mutual funds by the investor. Krishnamoorti (2009), pointed out that investor educational backgrounds, job, reading habit of news relating to investment are closely associated with the investment decision of investor. Saravana Kumar (2010), in his study the factors influenced the investors to invest in equity shares are liquidity, low investment and capital appreciation. Lalita Mohan (2010), argued that the various investment channels should be keeping updated to the investor through print and electronic media. The bank employees believed that insurance is an investment avenue rather than risk coverage instrument. Sasi Kumar and Vikkaraman (2010), stated in his article that the investor preferred to invest in gold followed by bank for the safe investment. For the security purpose the investors are preferred to invest in insurance. Joseph et at, (2011), expressed that the knowledge of the investor about the investment avenues are low. Pati and Shome (2011), reviewed that the secured avenue of bank deposit schemes are preferred by households rather than unsecured avenues of savings even though it gives high return.Alex Wang (2011), expressed that variables like awareness, income level and skill plays a vital role which influence youngster to invest in mutual funds. Sarita (2011), found that the irrespective of educational qualification, job, age, income level investor would like to protect their future by taking an insurance policy. Yogesh and Charuly (2012), analyzed that due to low returns the conventional investment options like Post Office Saving Schemes, Public Provident Funds are not preferred by the investors. However, investment on gold is preferred by female investors. Kaushal and Kinjal (2012), discussed that due to less risk all income group and category of investor prefer to invest in bank deposits as well as post office deposits. Whereas investment in equity shares, mutual funds, insurance, commodities and real estate are preferred by higher income group with higher education. Palanivel and Chandrakumar (2013), identified the low and middle income group of investor and irrespective of them give preference to invest in insurance and bank deposit. Uma Maheswari and Ashok Kumar (2014), suggested that majority of investors preferred to invest in Fixed deposit with banks followed by gold, units of UTI, fixed deposit of non-government companies, mutual funds, equity shares and debenture for safety and liquidity.

Need and Scope of Study

This report tries to find out the relation between savings & Investment it also examines the perception of an individual towards the Investment by evaluating various options of Investment. This report also tries to correlated the risk and return expectation of an individual. This report also tries to find out the factors that an individual considers at the time of making choice of an investment.

Research objective:

The objectives of this research are:

•To know about cognizance level of various avenues of Investment available to an individual.

•To know about the individual's preference about investment during pandemic.

• To know about an individual's perception while making choice of an investment.

• To analyse the expectations of return and risk taken to achieve those returns.

• To understand the importance of long-term investments in this ever-changing world.

Hypothesis:

1. Ho1. There is no significant difference in taking investment decisions towards various investment avenues across the gender.
2. Ho2. There is no significant difference in the perception of investors related to safety, liquidity and high returns.

Research Methodology:

This study uses exploratory& descriptive research method to understand investor's perception about investment avenues of people of Mumbai during current pandemic time.

Type of Data:

- **Primary Data**

Structured close ended questionnaire used to collect primary data.

- **Secondary data**

Economics times new paper articles, books, financial data etcused to collect secondary data.

Sample Size:

For this research we took survey of 100 people of Mumbai city.

Data Collection and Analysis:

Demographic Profile: Table 1

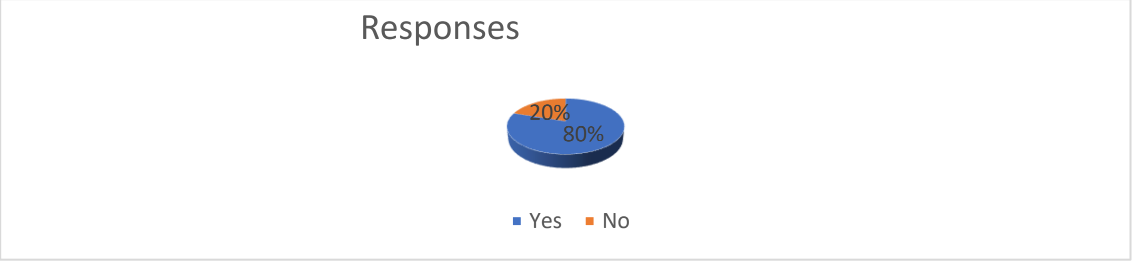
Variable	Category	Frequency	Percentage
Gender	Male	60	60%
	Female	40	40%
	Total	**100**	**100%**
Age	21-30	25	25%
	31-40	35	35%

	41-50	30	30%
	50 & above	10	10%
	Total	**100**	**100%**
Education	UG	25	25%
	PG	35	35%
	Professional	40	40%
	Total	**100**	**100%**
Sector employed	Government	25	25%
	Private	25	25%
	Self Employed	50	50%
	Total	**100**	**100%**
Annual Income	up to 3 Lacs	10	10%
	3-5 lacs	20	20%
	5-10 lacs	15	15%
	10-15 lacs	30	30%
	15 lacs & above	25	25%
	Total	**100**	**100%**

Inference:

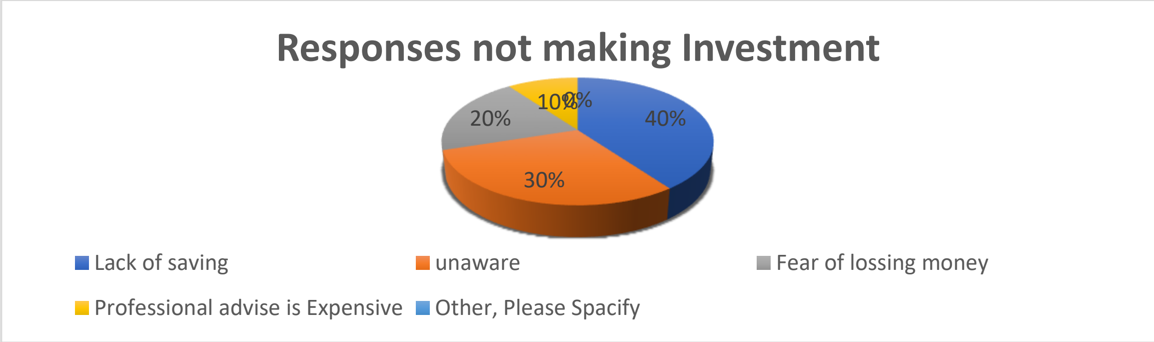
It is inferred from the above table that 60% of the respondents were male wile 40% of the respondents were female. The age group who is very active and understands the need of an Investment is between 31-40 years, followed by 41-50 years. Analysis further shows 25% of the respondents are under graduates, 35% respondents are post graduates while 40% of the respondents are professionals. With regards to annual income 10% of the respondents are in the annual income up to 3 lakhs.Majority of the respondents have annual income of 10-15 lacs.

1. Do you make Investments?



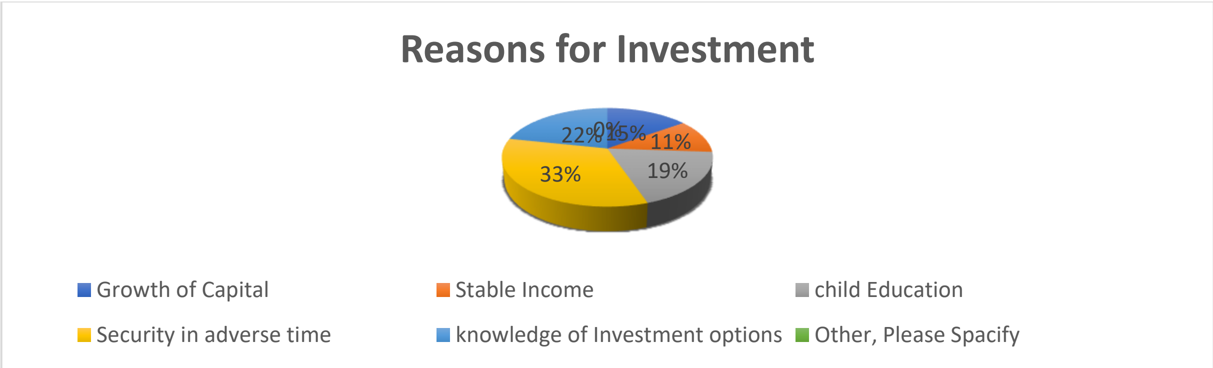
In the chart states90% of the respondents do invest their money while remaining 10% do not invest their money anywhere.

2. If No, what are the reasons for not Investing your money?

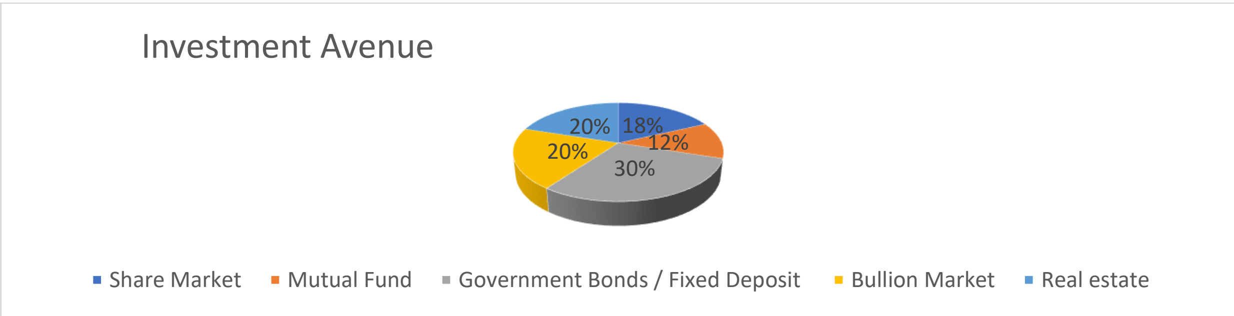


In this chart we can see respondents have various reasons for not to invest their money lack of funds and unawareness of investment avenue are the major reasons.

3. If yes, what are the reasons for Investing your money?

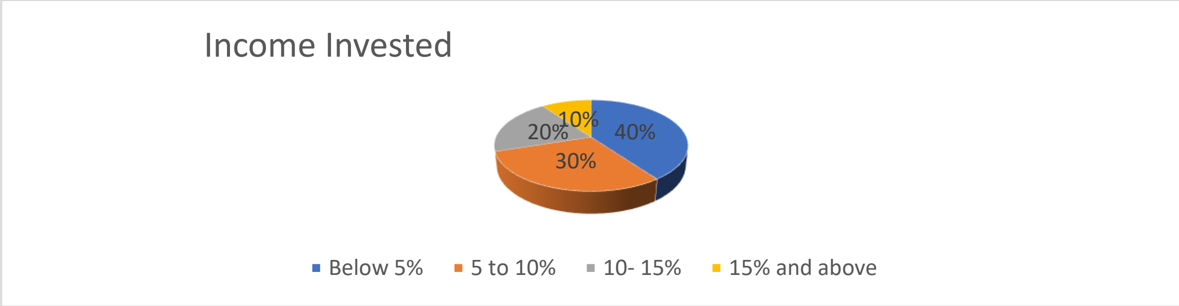


4. Where do you Invest your money?



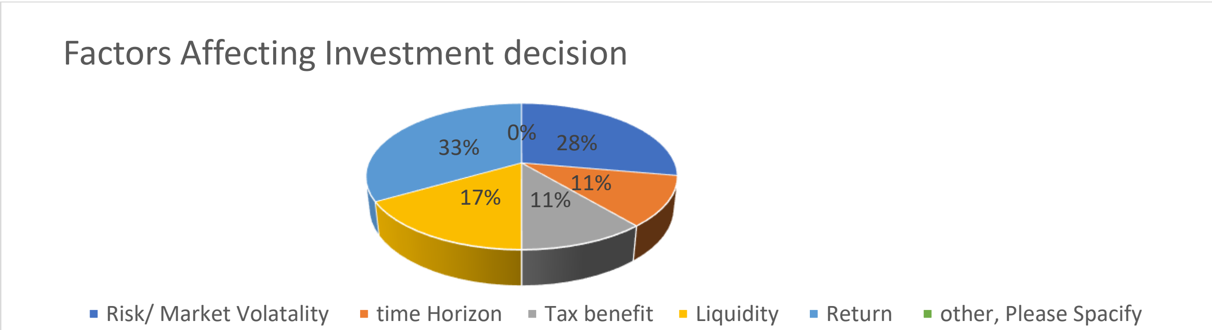
Respondents do invest their money to multiple places. Out of which the most preferred place to invest money is fix interest bearing securities.

5. What % of your Income do you invest in a year?



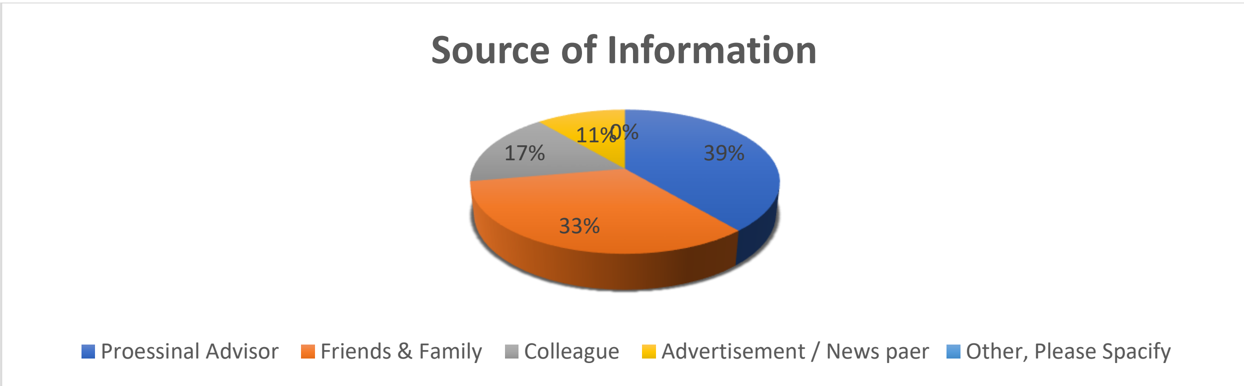
In the graph we can clearly see that most of the respondents invest only 5-10% of their income and rarely people invest more than 15% or more than their income during any year.

6. What factors needs to be considered while making investment decision?



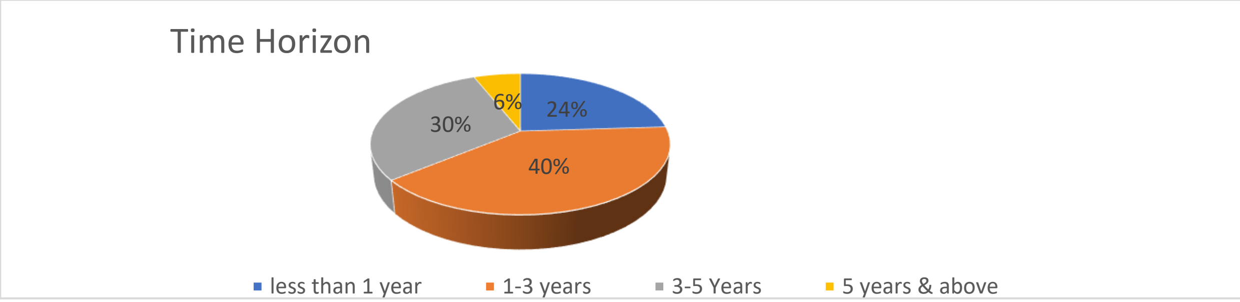
At the time of making investment decision respondents do consider multiple things like risk, return, volatility, liquidity and tax benefit.

7. From where do you get the Information about Investment?



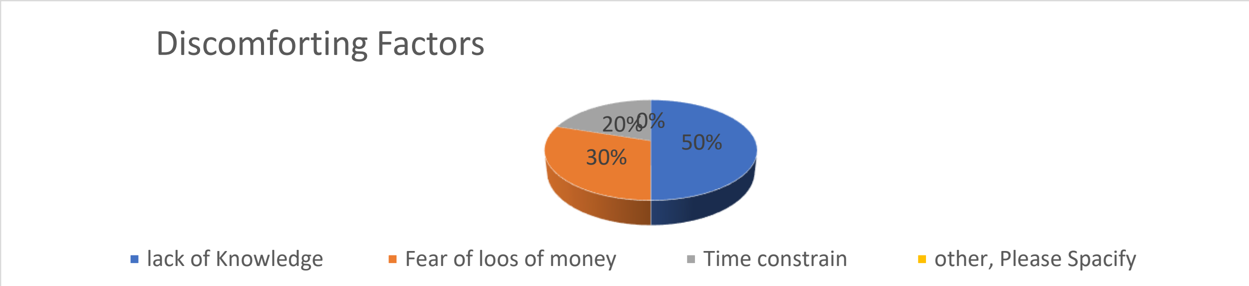
In this chart we can see people do approach & discuss with professional advisor, friends & family & colleague to get the information and make more informed decision about about their investment.

8. How long an investor prefers to invest?



Respondents would like to keep the timing of an Investment due to uncertainty of the future events due to current situation pf COVID'19.

9. What factors discomfort the investor while investing?



The graph states respondentshave very little knowledge about Investments and that is the reason they do fear loss of money and prefer to invest for short time.

Findings and Suggestion:

1.Majority of the respondents do understand that investment is indeed need of today.

2. In 2020, what world has seen reference to that the preference and need for investment option has changed and in the ever-changing situation people would like to go for fixed income options.

3. As the era is changing savings become inevitable habit for an individual.

4.Respondents do consider many factors like risk, return, volatility, liquidity and tax benefit.

5. In the current situation respondents would like to go for the investment option which provides more liquidity and less volatility.

6. Even though investment becomes inevitable, investors, have very little knowledge about the investment options due to which investors are afraid of making long term commitments**.**

Suggestions:

1. Need to give basic information about the various investment options available as people do not know much about it.

2.To Promote Investment tax benefit on investment should be increased.

3.Making Investment portfolio much simpler and diverse to avoid discomfort.

Conclusion:

As investment is not only the need for today but it is a commitment for tomorrow because the today's investment lies in future benefit. And year 2020 made youth of India think about why one should invest and not to spend everything that makes Investing is an important aspect of an individual's life. And also making people aware about the various options available for investment and changes the perception about traditional Investment to modern investment planning.

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