

Preferences of Bengaluru Household Investors for Investment Avenues

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Abstract

The equity market has long been regarded as one of the most rewarding investment avenues, offering substantial returns but also accompanied by considerable risk, aligning with the principle of "High Risk, High Return." This inherent risk often discourages conservative investors from engaging in the stock market. Despite India having one of the highest savings rates worldwide, individual participation in the stock market remains low. Factors contributing to this include a lack of awareness, a limited understanding of investment strategies, unfamiliarity with processes, and inadequate knowledge of the various investment options. This paper seeks to investigate how demographic factors, particularly gender and age, play a significant role in shaping the investment preferences of household investors in Bengaluru.

Keywords: Equity Market, Investment Avenues, Investor Awareness, Demographic Factors, Risk-Return Balance

Review of Literature

A survey conducted by the Securities and Exchange Board of India (SEBI) in collaboration with the National Council of Applied Economic Research (NCAER) during 2000-2001, covering 288,081 households from rural and urban India, revealed that about 13.1 million households, or 7.4% of Indian households, were engaged in equity or debenture investments between 2001-2011 (NCAER & SEBI, 2003). The study identified key factors like safety and liquidity as significant influencers of asset choice, with bank deposits being considered the safest, followed by gold, UTI units, fixed deposits, mutual funds, equity shares, and debentures. Around 65% of all households regarded bank deposits as safe, while 32% considered equity investments risky.

Pandiyan and Durai (2014) also found that social and demographic factors such as gender, age, and income played a vital role in shaping investment preferences in the Dehradun district. This study aims to further explore how awareness and demographic factors like gender and age affect the investment choices of household investors in Bengaluru.

Statement of the Problem

Although women have advanced in many traditionally male-dominated fields, the belief that they are more risk-averse persists. This study examines the role of gender in investment decisions. Additionally, it explores the assumption that risk tolerance declines with age, focusing on investors in Bengaluru.

Objectives of the Study

- The following objectives have been framed for this study with reference to Bangalore City:
1. To determine if gender influences the selection of investment avenues.
 2. To assess whether age impacts the choice of investment avenues.

Limitations of the Study

1. The research is restricted to the city of Bengaluru.
2. The study is based on a small sample size of 100 participants.

Scope of the Study

This research throws light exclusively on data collected from investors residing in Bangalore.

Time Frame for the Study

The information was collected between May 2024 and July 2024, a span of two months.

Statistical Tools

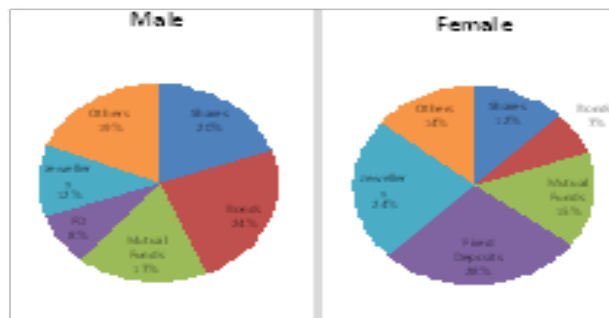
The following statistical tools were utilized for data analysis and presentation:

- Tables with percentages
- Pie Charts and Bar Graph

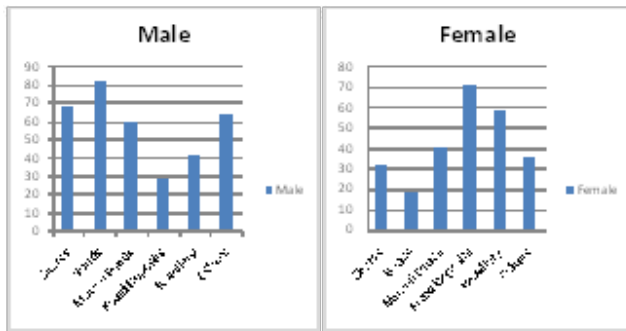
Table 1 Gender Relationships with Various Investment Avenues

Gender	Shares	Bonds	Mutual Funds	Fixed Deposits	Jewellery	Others	Total
Male	67	81	59	27	40	66	340
Male %	19.70	23.83	17.35	7.94	11.76	19.41	100
Female	31	17	38	69	60	35	250
Female %	12.4	6.8	15.2	27.6	24	14	100

A Percentage Chart showing How Gender Relates with Various Investment Avenues



Insurance and the Post Office etc. are among the others



Observation

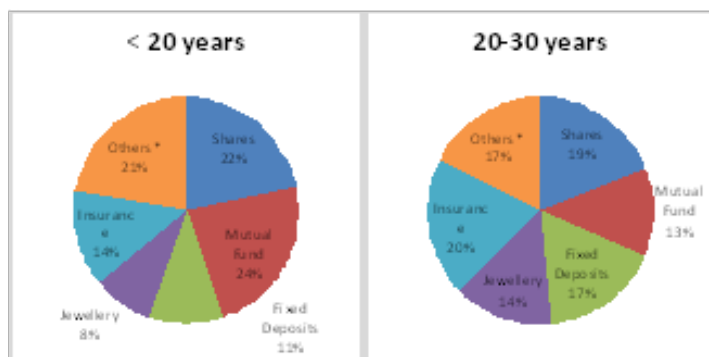
In the chart above, 24% of investors in bonds are male, while only 7% are female. For mutual funds, 17% of the investors are male, and 15% are female. Regarding fixed deposits, 28% of the investors are female, compared to just 8% male. In the case of jewellery, 24% of investors are female, while 12% are male. As for shares, 20% of the investors are male and 12% are female. For other investment categories, of the investors, 14% are female and 19% are male.

Table 2 Representing Different Investment Avenues and Age

Age	Shares	Mutual Fund	Fixed Deposits	Jewellery	Insurance	Others *	Total
<20 years	23	25	12	8	15	22	105
< 20 years %	21.90	23.80	11.42	7.61	14.28	20.95	100
20-30 years	31	21	28	23	33	29	165
20-30 years %	18.78	12.72	16.96	13.93	20	17.57	100
30-40 years	26	24	33	39	34	27	183
30-40 years %	14.20	13.11	18.03	21.31	18.57	14.75	100
>40 years	21	31	28	29	19	21	149
>40 years %	14.09	20.80	18.79	19.46	12.75	14.09	100

* Bonds and the Post Office etc. are among the others.

A Percentage Chart showing how Age Relates with Various Investment Avenues





Among respondents aged under 20 years 12% preferred fixed deposits, 25% preferred mutual funds, 23% preferred shares, 22% preferred other investment choices, 15% preferred insurance, and 8% liked jewelry.

For people aged 20 to 30, insurance was chosen by 20%, shares by 19%, fixed deposits by 17%, alternative investments by another 17%, and mutual funds by 13%.

Among respondents aged 30 to 40 years, 21% preferred jewelry, 19% chose insurance, 18% favored fixed deposits, 14% selected shares, 13% opted for mutual funds, and 15% chose other options. For respondents over 40 years of age, 21% preferred mutual funds, 19% selected fixed deposits, the same percentage opted for jewelry, 13% chose insurance, 14% favored other investments, and the same percentage selected shares.

Findings

Gender-Based Investment Preferences

- Male investors predominantly invest in bonds, comprising 24% of the total, while female investors account for just 7%.

- Mutual funds exhibit a nearly equal gender distribution, with 17% of investors being male and 15% female.
- In the fixed deposit category, female investors lead with 28%, compared to 8% of male investors.
- Jewelry is preferred by female investors at 24%, while only 12% of male investors opt for this investment avenue.
- Shares attract a higher percentage of male investors 20% compared to females 12%.
- In the “Others” category, male investors constitute 19%, whereas female investors represent 14%.

Age-Based Investment Preferences

- Under 20 years: Respondents in this age bracket prefer mutual funds (25%), shares (23%), and “other” investments (22%), showing less interest in jewelry (8%) and insurance (15%).
- 20 to 30 years: The most popular choices in this group are insurance (20%) and shares (19%), followed by fixed deposits and “other” options at 17%, with mutual funds being less favored at 13%.
- 0 to 40 years: Jewelry ranks highest in preference at 21%, followed by insurance (19%), fixed deposits (18%), and “other” investments. Shares and mutual funds are less popular in this age group.
- Above 40 years: This demographic demonstrates a strong inclination towards mutual funds (21%), fixed deposits (19%), and jewelry (19%), with a balanced interest in other options, including shares and insurance.

Suggestions

Customize Investment Products According to Gender Preferences

- For Male Investors: Marketing strategies should concentrate on bonds, shares, and various diversified investment products, as these options are more appealing to this demographic.
- For Female Investors: Financial institutions ought to highlight fixed deposits and jewelry-related investments, reflecting women’s strong preference for these avenues.
- For Balanced Products: In the case of mutual funds, where preferences are relatively equal, financial advisors should provide gender-neutral strategies that emphasize flex-ibility and growth potential.

Create Age-Specific Investment Portfolios

- For Young Investors (<20 years): Offer educational materials on mutual funds, shares, and diversified portfolios, as these options are already popular among this age group.
- For Ages 20–30: Emphasize the advantages of insurance and shares while also hig-hlighting the security of fixed deposits for those who are more risk-averse.
- For Ages 30–40: Financial advisors should concentrate on tailored investment strate-gies that include jewelry, insurance, and fixed deposits, reflecting the preferences of this demographic.
- For Individuals Over 40 Years: Stress the significance of long-term planning through mutual funds, fixed deposits, and stable investments like jewelry, while also providing strategies for retirement and wealth preservation.

Enhance Education for Female Investors

Given that women tend to prefer traditional, safer investments such as fixed deposits and jewelry, financial literacy initiatives should aim to educate them about higher-yield investment opportunities, including shares and bonds.

Broaden Financial Planning Services

Financial institutions ought to create products that cater to the preferences of each demographic group, encouraging diversified portfolios that encompass both high- and low-risk investments. Additionally, they should offer personalized investment advisory services that consider gender and age preferences, ensuring tailored strategies for all investors.

These considerations will help financial planners and institutions to serve to the unique preferences of Bengaluru household investors.

Conclusion

The analysis reveals that among various investment avenues, males show a stronger preference for the stock market, exceeding females by 8%. In the case of bonds, male investors demonstrate a more aggressive approach compared to their female counterparts. Conversely, fixed deposits are favored by a larger number of females, with only 8% of males selecting this option. Jewelry is also more popular among female investors. The preference for mutual funds shows minimal disparity, with only a 2% difference between genders.

Investors under 20 years of age tend to favor mutual funds, “other” investments, and shares. Meanwhile, those in the 20-30 age group prefer insurance, shares, “other” options, and fixed deposits, with mutual funds and fixed deposits also being popular choices. In the 30-40 age group, jewelry is the most preferred investment, followed by insurance and fixed deposits. For investors over 40, mutual funds take precedence, followed closely by jewelry and fixed deposits, with shares and other investment avenues also receiving considerable interest.

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