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Research Article

An Empirical Study Of Household Investment Preferences

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ABSTRACT

The Indian market has recently been introduced to a variety of financial products. Each of these financial instruments provides a diverse array of benefits and opportunities in terms of risk exposure, interest rates, etc. The majority of individuals are unable to capitalize on the higher returns offered by these products as a result of a dearth of financial literacy. In order to invest in these financial instruments, a suitable financial education program must be implemented to provide them with an understanding of the risk and return characteristics of these products. The survey results suggest that respondents are well-informed about traditional and secure financial products, while the majority of the population has a limited understanding of modern financial products like Derivatives and Futures & Options. Additionally, the majority of respondents allocate their funds to conventional and secure investment vehicles like Bank Deposits, Life Insurance, and Post Office Savings. To augment financial inclusion in India, the government should modify the financial Act to include an index fund and a debt-linked savings scheme (DLSS) in the investment options available under section 80C. This will prepare the Indian financial market to withstand any outflow of foreign funds.

Introduction

The emerging countries, such as India, have a monumental challenge in securing sufficient financing for their development initiatives. Most of these nations find it difficult to escape the vicious cycle of poverty, which consists of low income, low savings, poor investment, and low employment, among other factors. Having a high capital production ratio, India requires extremely high rates of investment in order to achieve high levels of growth. Since the commencement of planning, investment has been viewed as the primary vehicle of economic growth and national income expansion. To achieve the desired level of production, investment was viewed as the most important factor, and capital formation needed to be supported by an adequate amount of savings. Investment is the sacrifice of a known present value in exchange for an uncertain future return. Investments are always intriguing, difficult, and lucrative. Typically, the higher the risk, the higher the expected rate of return. Risk and reward are inseparable. The primary characteristics of an investment are principal security, liquidity, income stability, appreciation, and portability.

Today, the financial services industry is increasingly diverse, providing investors with numerous investment opportunities. With correct investment methods and financial planning, investors can improve their personal wealth, so contributing to economic expansion. Economic growth is one of the most important determinants of the standard of living in a nation. Investment, Savings, and Income are the three variables that measure economic growth. Money saved without investment in productive assets or capital goods is useless. After investment in productive areas, the national product or per capita income increases and the investor's standard of life improve. Individuals' savings and investments are essential for both their own financial well-being and economic progress.

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This study presents estimates of the number of investor households and their distribution depending on their choice of savings and investment instruments.

Rationale of the study

This study seeks to achieve the following objectives:
1. To understand the socio-economic characteristics of households residing in the National Capital Region.
2. To study the saving and investment pattern of households residing in the National Capital Region.
3. To estimate the participation rate of household investors in the stock market residing in the National Capital Region.
4. To analyze the reason for non-investment in the stock market through a primary survey.

Investing and Savings: Awareness and Choices

There are numerous investment opportunities, including stocks, banks, corporations, gold and silver, real estate, life insurance, postal savings, etc. Depending on their risk tolerance, all investors allocate their excess funds to the aforementioned opportunities. The primary survey is undertaken in five distinct areas of the national capital region, namely **Delhi, Gurugram, Faridabad, Noida, and Ghaziabad**, in order to examine the saving and investment patterns of households. The data is gathered from a total of **2000 respondents**, **500** from each section of the national capital region.

Table 1.1 Socio-demographic Profile of respondents

Demographics Variables	Category	No. of respondents	Percentage (%)
Gender	Male	1293	64.65%
	Female	707	35.35%
Age	18-24	292	14.6%
	25-34	534	26.7%
	35-44	498	24.9%
	45-59	470	23.5%
	60-79	206	10.3%
Marital and Family Status	Single	295	14.75%
	Married without Children	477	23.85%
	Family with dependent Children	960	48%
	Family without dependent Children	268	13.4%
Employment Status	Government Job	502	25.1%
	Private Job	563	28.15%
	Self- Employed	301	15.05%
	Business	409	20.45%
	Retired	225	11.25%
Monthly Income	Rs.20,000-50,000 per month	945	47.25%
	Rs 50,000-Rs.1,00,000 per month	600	30%
	More than Rs 1,00,000 per month	455	22.75%
Educational Qualification	Bachelor’s Degree	775	38.75%
	Master Degree	590	29.5%
	Professional Degree	414	20.7%
	Doctorate Degree	221	11.05%

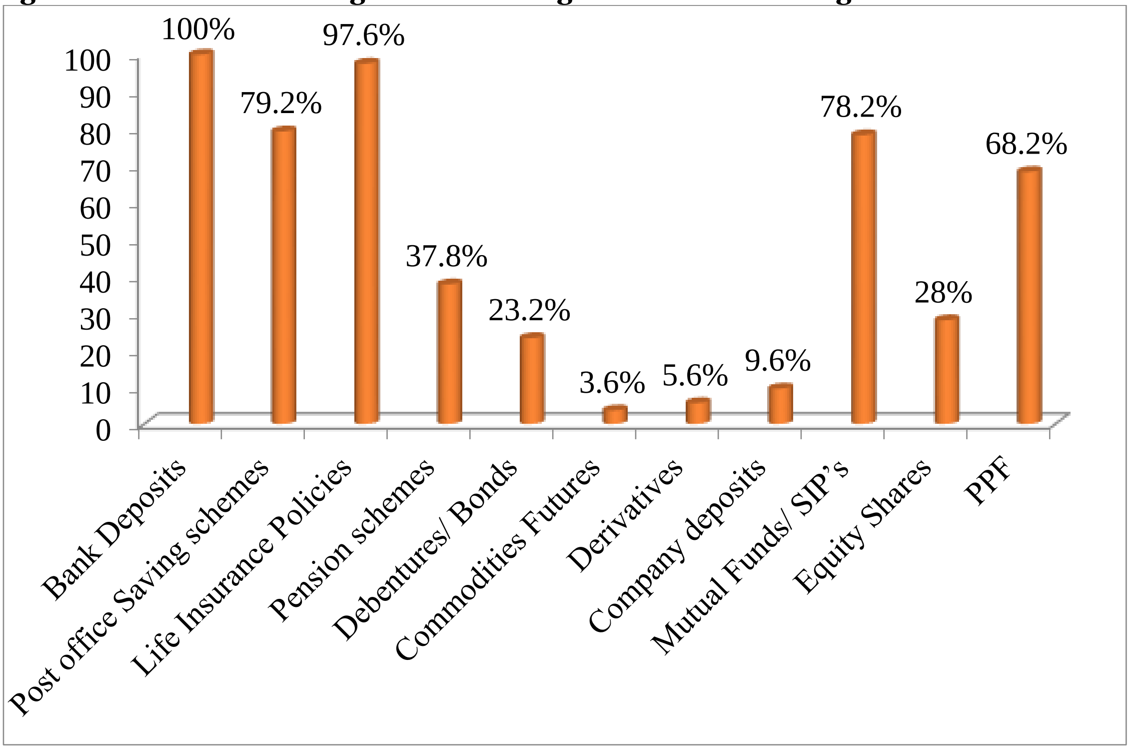
Source: Research findings

The socio-demographic profile of respondents is displayed in Table 1.1. Overall, 64.65% of respondents were male and 35.35% were female. In the region around the nation's capital, the proportion of female investors is lower than that of men. Nonetheless, people of all ages and professions save and invest.

Awareness of saving and investment alternatives among households

In order to quantify the number of households having awareness about different saving and investment options available in the financial market, the present study analysed their preferences and choices.

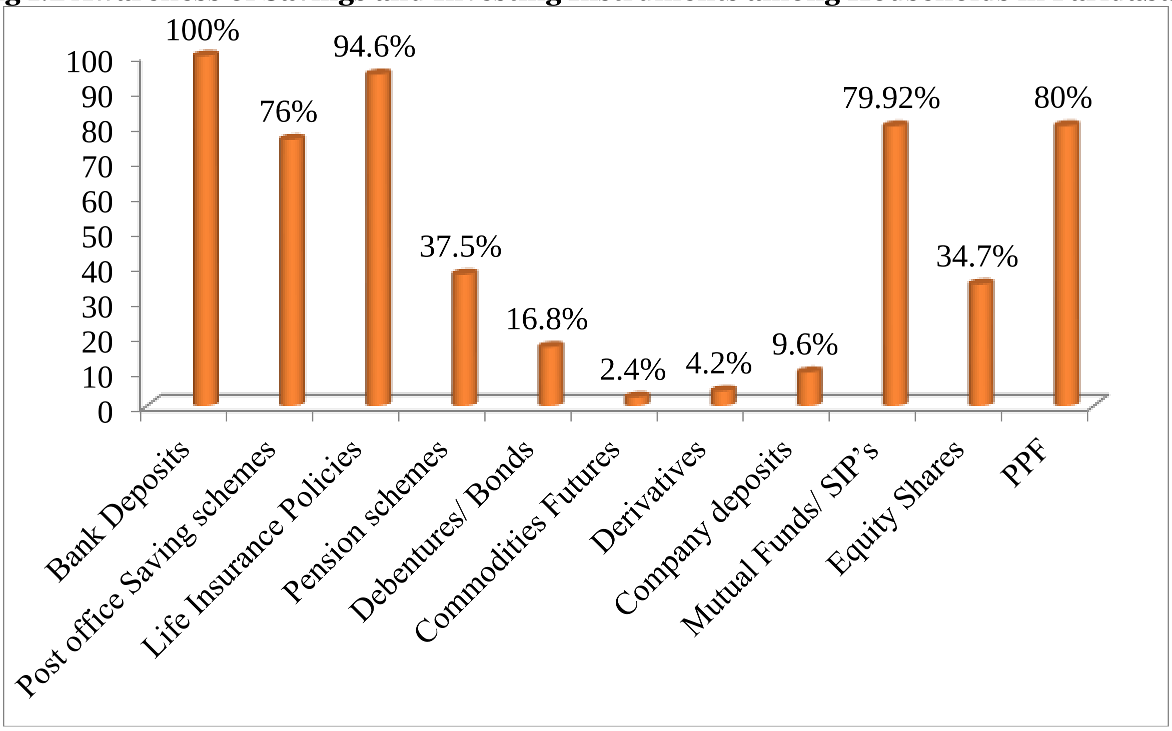
Fig 1.1 Awareness of Savings and Investing Instruments among Households in Delhi



Source: Research findings

N=500, Respondents could select multiple options.

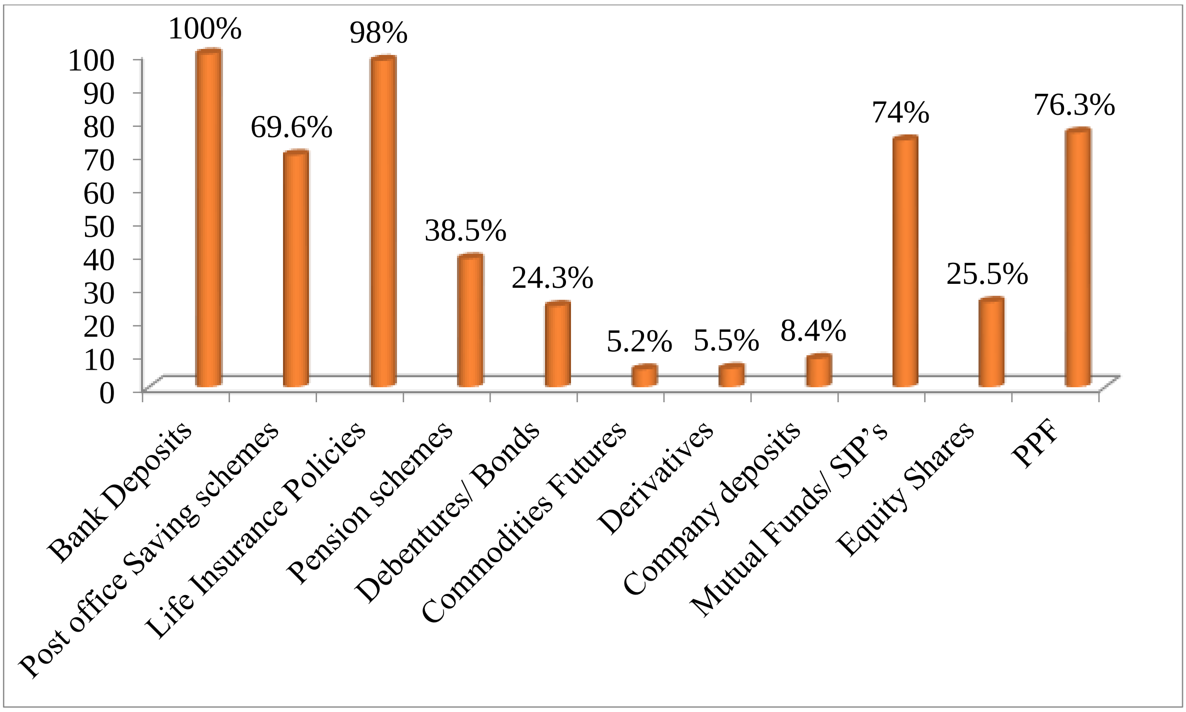
Fig 1.2 Awareness of Savings and Investing Instruments among Households in Faridabad



Source: Research findings

N=500, Respondents could select multiple options

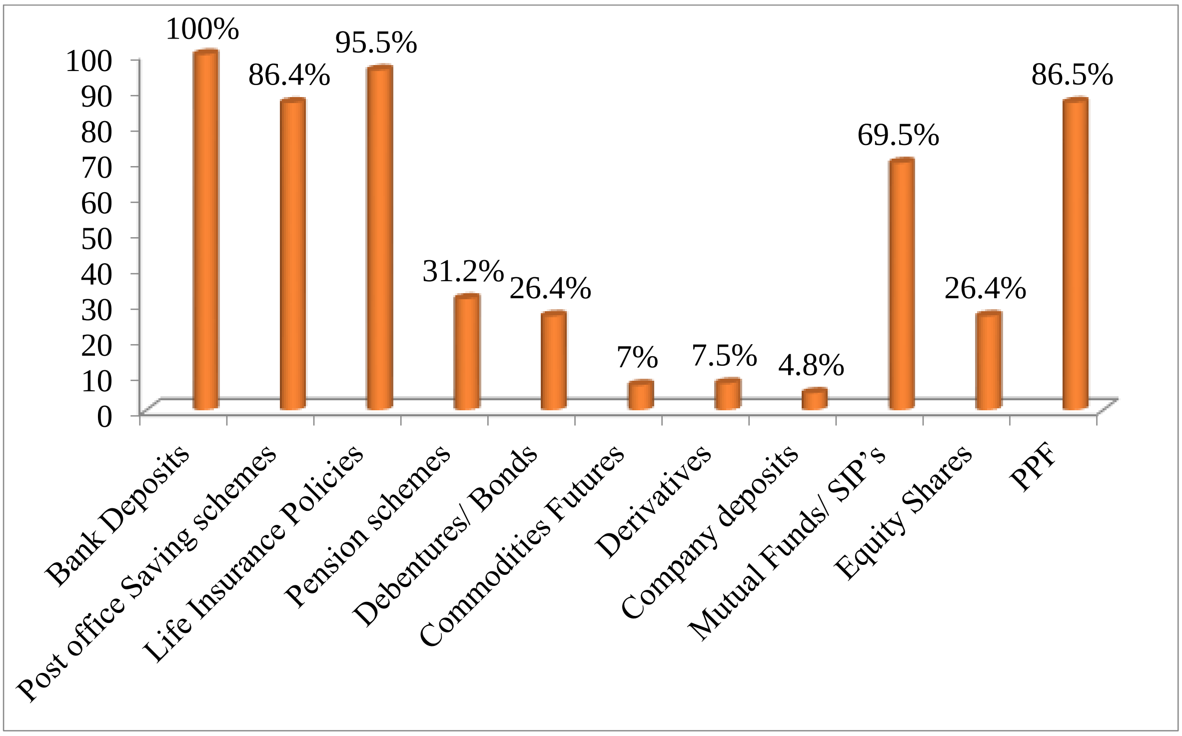
Fig 1.3 Awareness of Savings and Investing Instruments among Households in Gurugram



Source: Research finding

N=500, Respondents could select multiple options

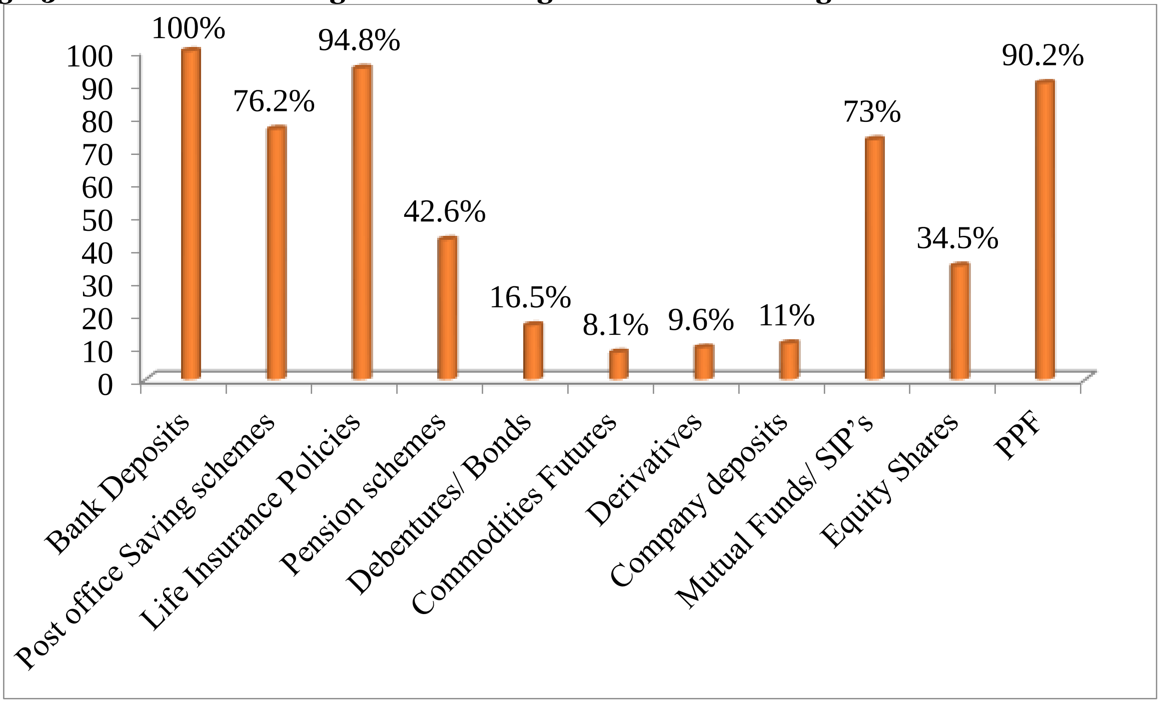
Fig 1.4 Awareness of Savings and Investing Instruments among Households in Noida



Source: Research findings

N=500, Respondents could select multiple options

Fig 1.5 Awareness of Savings and Investing Instruments among Households in Ghaziabad



Source: Research findings

N=500, Respondents could select multiple options

The above data illustrates that there is a clear contrast between the degrees of awareness of savings schemes and investment instruments; awareness of savings schemes is substantially greater. While awareness of corporate deposits is lower than that of mutual funds or stocks, familiarity with other savings schemes and non-market instruments is far greater than that of any market instrument. Additionally, the vast majority of survey respondents are incredibly aware about Bank Deposits (100 percent), Life Insurance (94-98 percent), and Post Office Savings (94-98 percent), familiarity with Mutual Funds (60-70 percent) and Equities (25-35 percent) is far lower. On the other hand, awareness of Derivatives (4-10%) and Futures (4-8%) is even lower, while Debentures /Bonds (15-25%), despite being higher in the capital stack and having a disclosed interest rate, also scores low.

According to Sharma and Goswami (2011), the development of local debt markets in Asia is hindered by the dependency of Asian economies on the banking system and the absence of a minimum critical mass of the corporate bond market to stimulate interest in bond issuance. The presence of developed equity markets and good liquidity with banks and enterprises generates inertia and impedes the growth of the local debt market. There is a historical context for India's corporate bond market's underdevelopment. At the time of economic liberalization, the stock market liberalization benefited large corporations more than the bond market liberalization (Armour and Lele 2009, Varottil and Khanna 2012). In the 1970s and 1980s, policymakers were cognizant of the accumulation of debt. Hence, the growth of the bond market did not garner the attention of policymakers. With the opening of the economy, there was a substantial influx of FIIs and GDRs, which enhanced the equities market's preeminence (Virmani 2001, Montak 1999). Moreover, the equity market liberalization initiatives were in the hands of regulators, but the corporate bond market expansion measures were in the hands of legislators (Lele and Armour 2009, Varottil and Khanna 2012).

In contrast, the low level of understanding of derivatives is justified by a government statute from the 1950s, not the market's novelty. The Bombay Cotton Trades Association initiated futures trading in 1875, and by the turn of the twentieth century, India had one of the largest futures trading markets in the world. However, cash settlements and trading in options and derivatives remained prohibited in 1952 until (following on the recommendations of the LC Gupta Committee) SEBI authorized derivatives trading in June 2001. For the intervening half century, derivatives remained restricted to shadow 'badla' markets (prohibited by SEBI in 2001) and inaccessible to retail investors. In the last 10 years, equity derivatives' daily average turnover increased by 4.2 times from Rs 33,305 crore in 2011 to Rs 1, 41,267 crore in 2021. During the same period, the cash market daily average turnover increased by 6.2 times from Rs 11,187 crore in 2011 to Rs 69,644 crore in

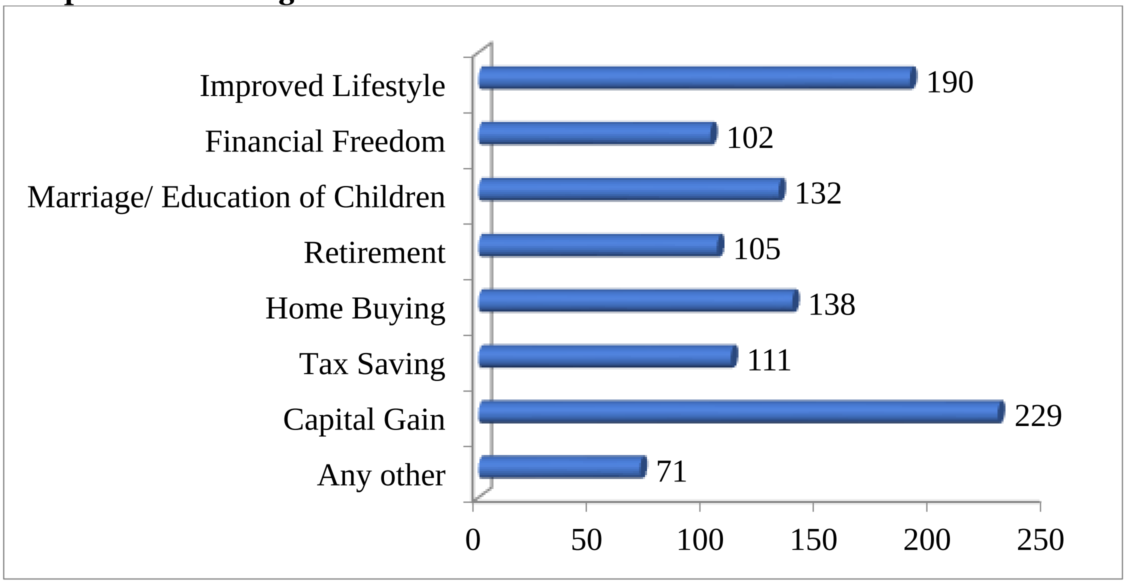
2021[4]. According to the findings of the study, institutional investors are primarily responsible for the volume and expansion of this sector.

Even typical investments such as stocks and mutual funds are surprisingly unknown. Clearly, there is a need to educate a larger population about the options available in the securities markets and to elaborate on the efficacy of delving deeper into the advantages of diversification, risk management, and returns optimization in order to create a more efficient household financial portfolio, as evidenced by the data presented above.

Why do households save and invest?

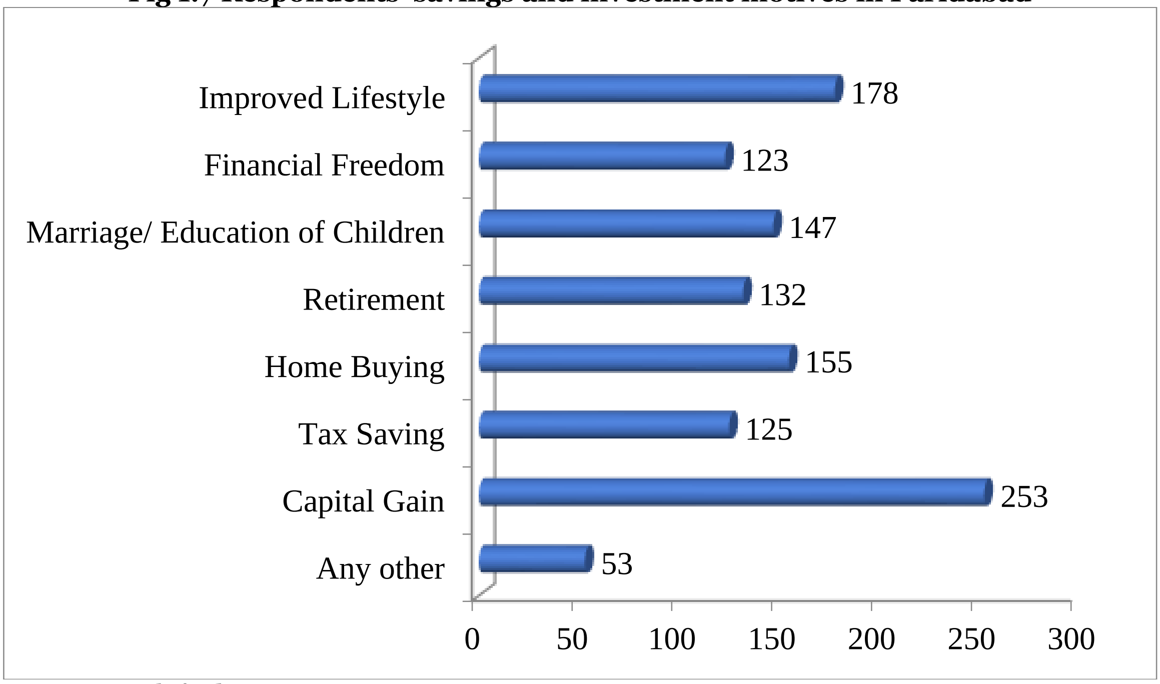
In order to gain a deeper understanding of the precise factors that control their investment preferences, the present study analyzed the decision-making and investment rationale of households.

Fig 1.6 Respondents' savings and investment motives in Delhi



Source: Research findings
N=500, Respondents could select multiple options

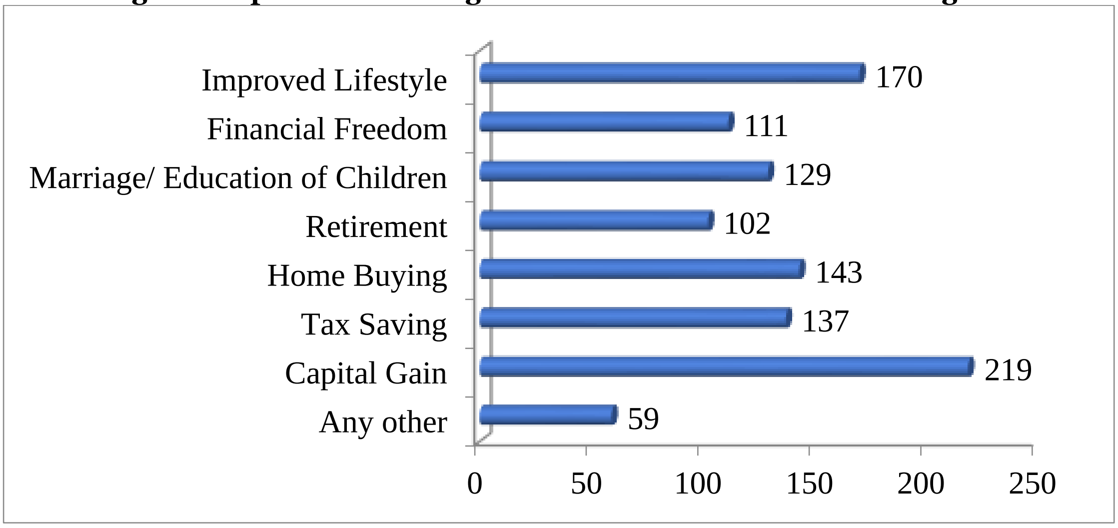
Fig 1.7 Respondents' savings and investment motives in Faridabad



Source: Research findings
N=500, Respondents could select multiple options

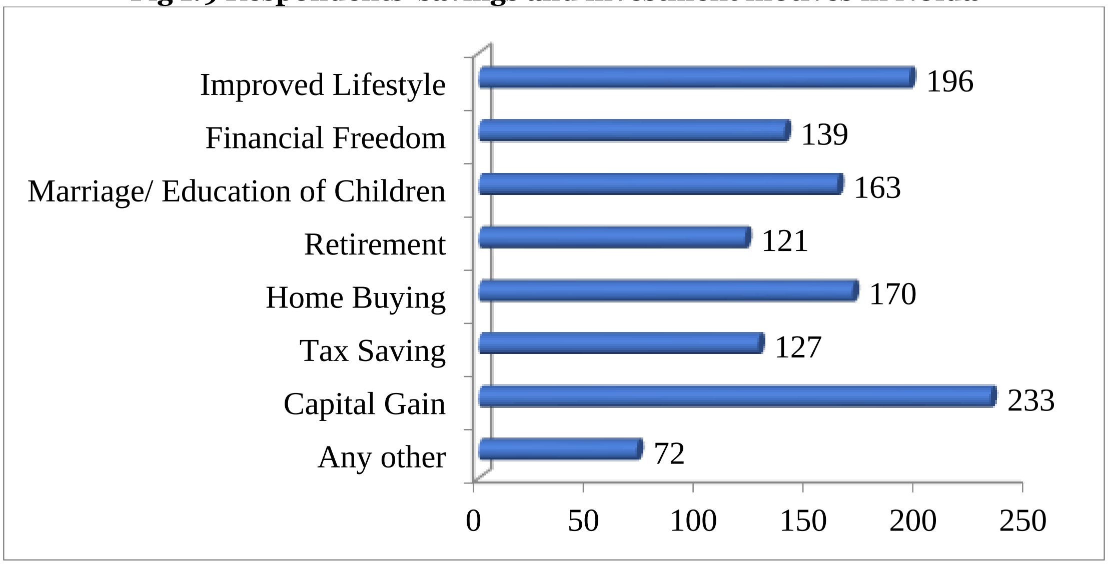
[4] https://www.business-standard.com/article/markets/nse-biggest-derivatives-bourse-for-3-years

Fig 1.8 Respondents' savings and investment motives in Gurugram



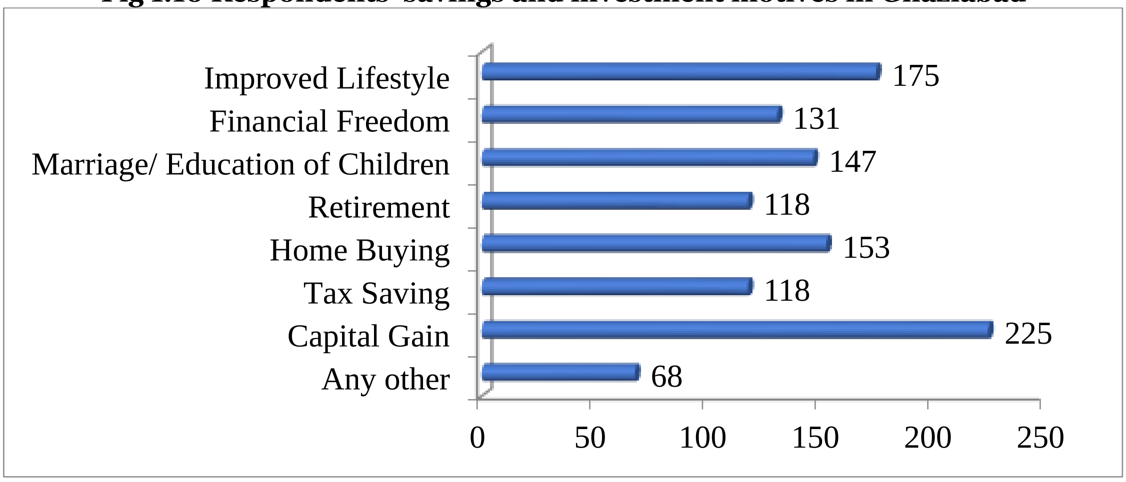
Source: Research findings
N=500, Respondents could select multiple options

Fig 1.9 Respondents' savings and investment motives in Noida



Source: Research findings
N=500, Respondents could select multiple options

Fig 1.10 Respondents' savings and investment motives in Ghaziabad



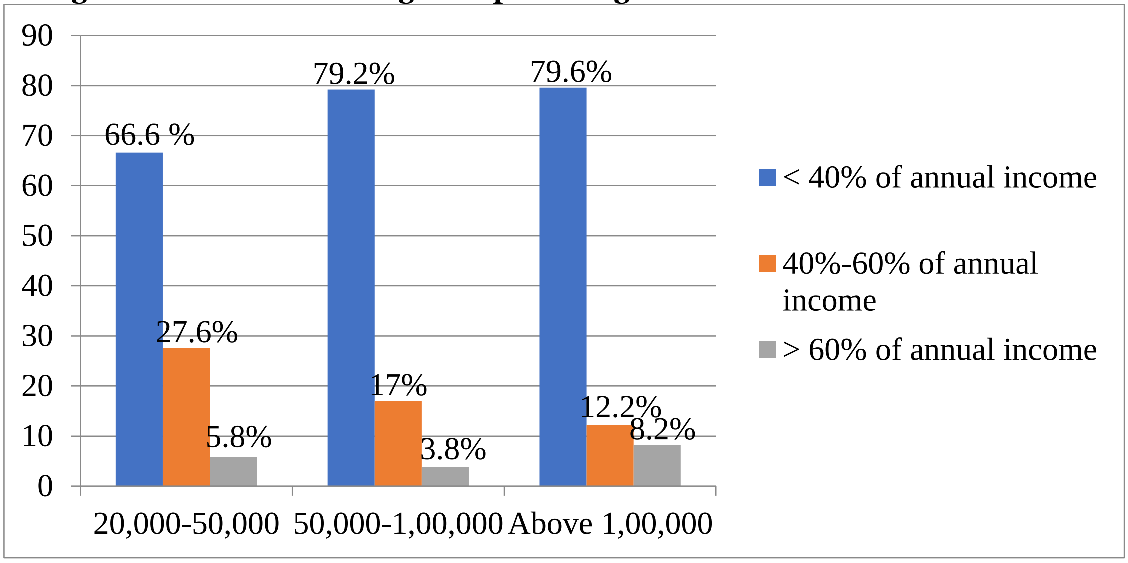
Source: Research findings
N=500, Respondents could select multiple options

The above data clearly shows that Capital gains, which refers to the increase in a capital asset's value (investment) and is considered to be realized when the asset is sold[5], is the main reason for household saving and investment. Thus, capital gains closely followed by a better standard of living (Improved lifestyle) are the key motivations for investing, but marriage/education of children and the purchase of a residence (Home Buying) also play significant roles. Moreover, since there are essentially no investment alternatives (as opposed to savings programmes) that provide for tax savings, therefore this aspect is ranked substantially lower. With only 5% of Indians paying income taxes[6], the indifference towards tax savings initiatives may possibly be a result of the tiny tax net.

How much households save out of their total income?

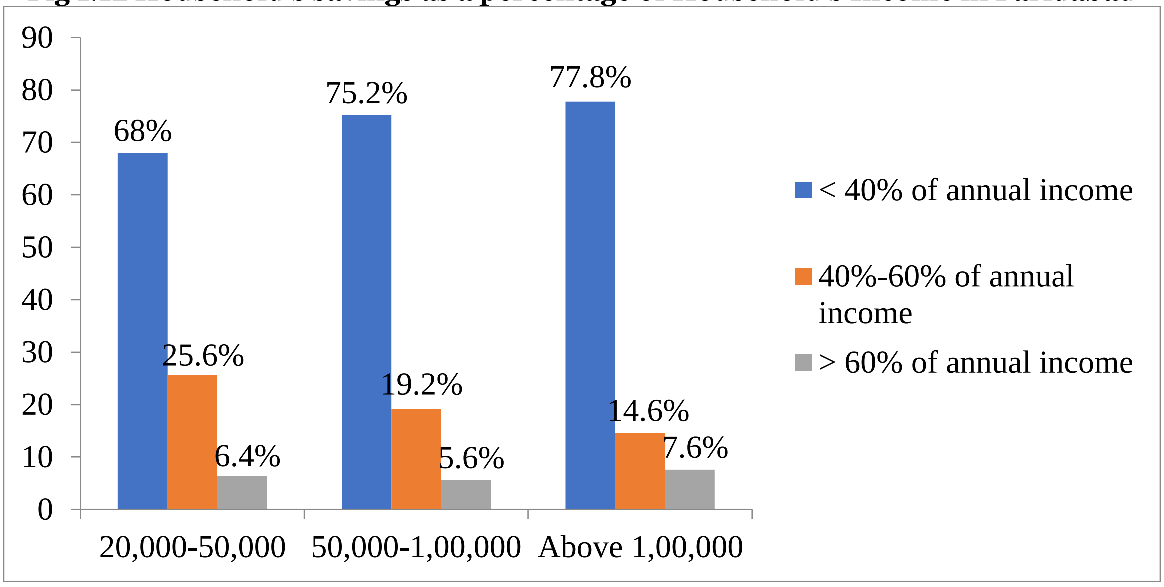
The amount of money that a household puts away for savings can be influenced by a number of different things. They include factors that are specific to individual households, such as age, education level, family size, number of assets owned, and the availability of social safety nets. Macroeconomic factors, such as interest rates and predictions regarding inflation or recession, can also have an effect on savings. The purpose of this study is to make an attempt to understand the saving behaviour of households.

Fig 1.11 Household's savings as a percentage of Household's Income in Delhi



Source: Research findings

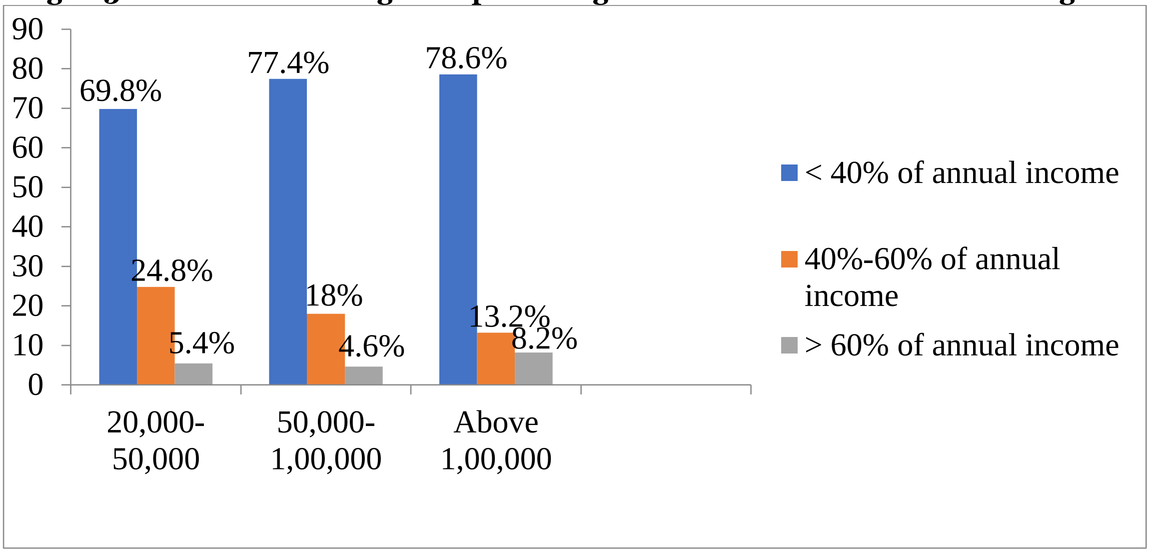
Fig 1.12 Household's savings as a percentage of Household's Income in Faridabad



Source: Research finding

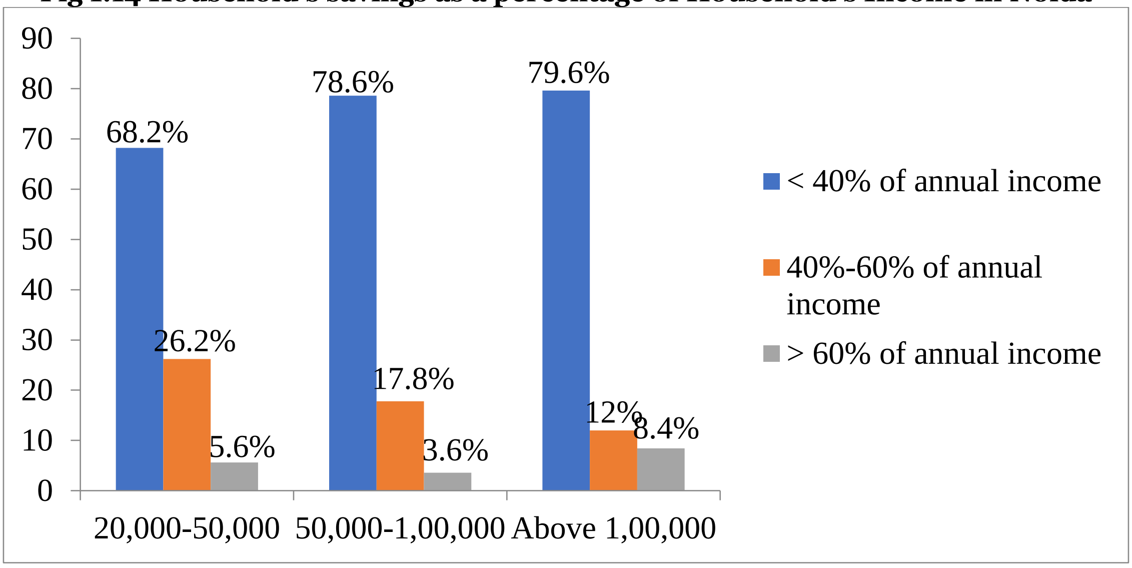
[5] https://www.investopedia.com/terms/c/capitalgain.asp
[6] https://www.livemint.com/news/india/how-many-indians-pay-tax-in-a-country-of-1-3-billion

Fig 1.13 Household's savings as a percentage of Household's Income in Gurugram



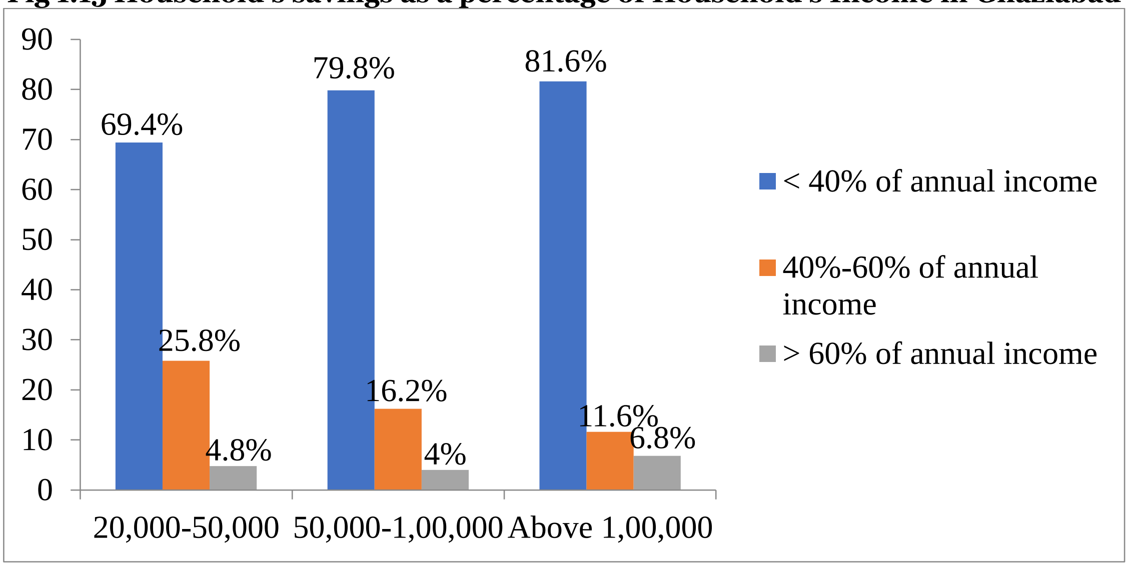
Source: Research findings

Fig 1.14 Household's savings as a percentage of Household's Income in Noida



Source: Research findings

Fig 1.15 Household's savings as a percentage of Household's Income in Ghaziabad



Source: Research findings

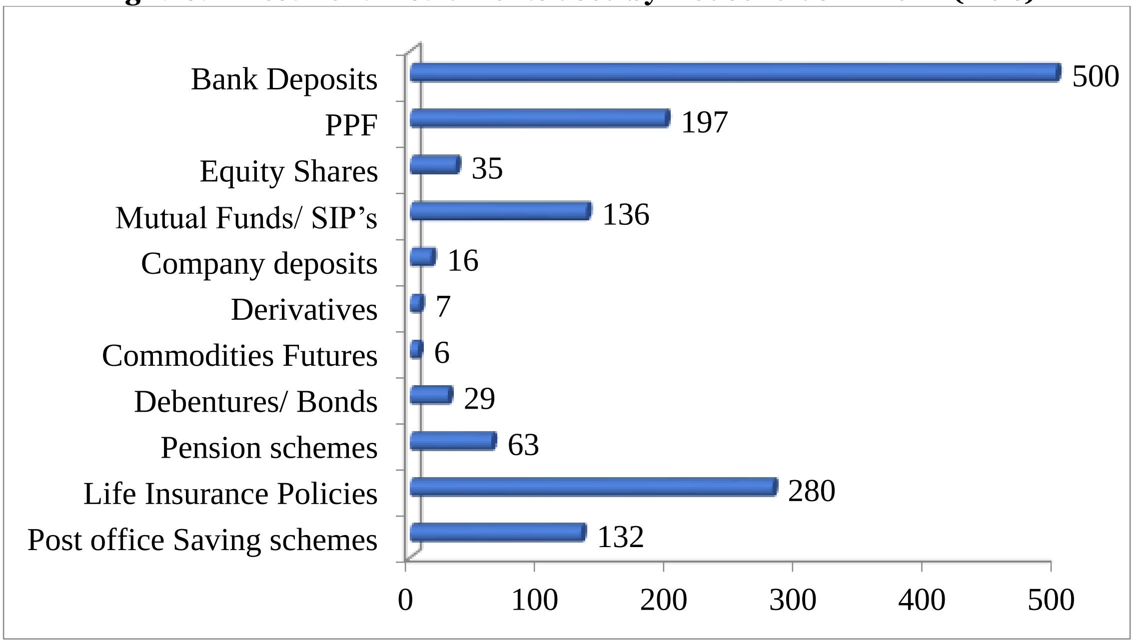
The data presented above illustrates how households' levels of savings differ according to their levels of income. The economic rationale that underpins the linear income-savings hypothesis is sound and originates directly from fundamental principles underlying the field of development economics. Lower income groups have a higher marginal propensity to consume due to the fact that any additional income is used to fulfill supplementary requirements for essentials (Holbrook and Stafford 1971). This assertion is supported by the figures presented above, which demonstrate that seventy percent of people with incomes ranging from 20,000 to 50,000 rupees save less than forty percent of their yearly incomes. After a household has achieved a certain level of self-sufficiency with regard to their fundamental requirements, they will begin to save money either for potential future emergencies or for the returns on investments. The research also suggests that middle-class households with incomes in the range of '50000 to '100,000, followed closely by the income group that earns more than 1 lakh, have a larger marginal propensity to save money. Surprisingly, the numbers show that more than around 80 percent of households with monthly incomes of more than one lakh also had savings of less than forty percent of their yearly income.

Despite the fact that this seems to go against the linear income-savings hypothesis, it is extremely important to keep in mind that this high-income segment may have access to social safety nets (such as family support, insurance etc.) that allow them to have a lower "precautionary demand for savings." In addition, only five percent of Indians are required to pay income taxes, thus those at the very top of the high-income group are less likely to share information about their incomes and savings.

Where do households put their savings?

The terms "savings" and "investments" are sometimes used synonymously with one another. Nonetheless, savings are considered flow variables since they develop over time and serve as a source of deferred consumption. On the other hand, when we talk about making an investment, we mean making a commitment to spend money on purchasing either capital or producing assets, such as financial instruments. Thus, deposits in banks do not qualify as household investments; however, the acquisition of stocks and bonds does qualify as investment. As a result, the pattern of households' savings and investments should be expected to vary greatly across the economic area. There is a good chance that life cycle considerations, information asymmetry, the necessity for a safety net, the quality of regulation, and, to some extent, location will all have an impact on the magnitudes of savings and investments as well as the motivations for making them. In the current research, an effort has been made to investigate the pattern of savings behavior amongst households.

Fig 1.16. Investment Instruments used by Households in Delhi (No's)



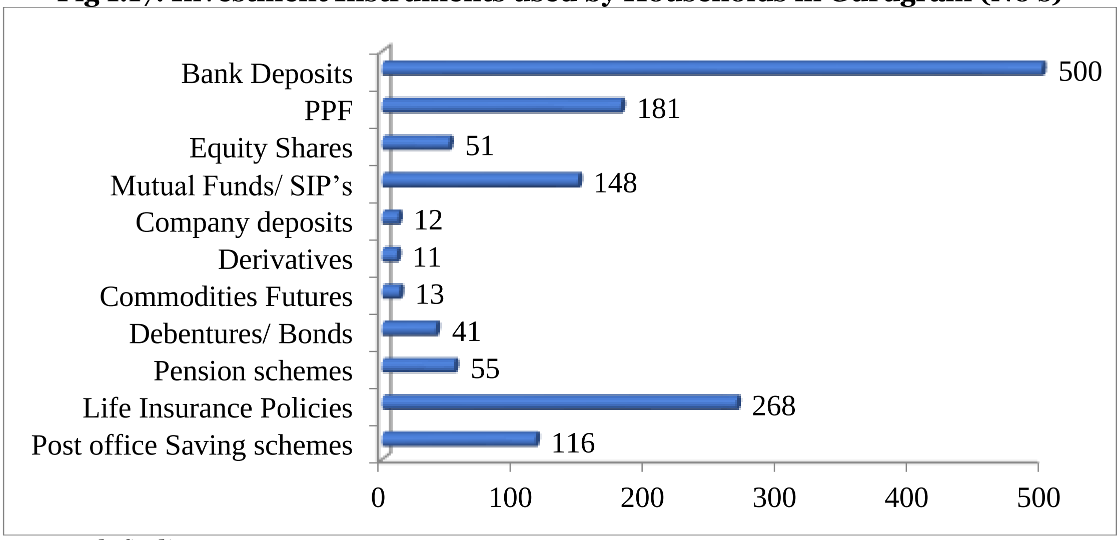
Source: Research findings
N=500, Respondents could select multiple options

Table 1.2: Choice of Saving Instruments (Delhi) (per cent)

Household's Profile	Bank Deposits	Post office Saving schemes	Life Insurance Policies	Pension schemes	Debentures/ Bonds	Commodities Futures	Derivatives	Company deposits	Mutual Funds/ SIP's	Equity Shares	PPF
Educational Qualification											
Bachelor's degree	40	14.2	24	4.6	1.2	0.2	0.2	1	6.2	3	15
Master degree	30	8.4	20	4.2	1.4	0.2	0.4	0.6	7.8	2.4	12.8
Professional degree	20	1.6	9	3	1.8	0.4	0.6	1	8	1	7.4
Doctorate Degree	10	2.2	3	0.8	1.4	0.2	0.2	0.6	5.2	0.6	4.2
Monthly Income											
20,000-50,000 per month	48	12.4	22	4.2	0.4	0.2	0.2	0.6	8.4	1	17.6
50,000-1,00,000 per month	29.4	10.6	21.2	5.6	2.4	0.6	0.4	1.4	13.4	2	12.4
More than 1,00,000 per month	22.6	3.4	12.8	2.8	3	0.4	0.8	1.2	5.4	4	9.4
Employment Status											
Government Job	25.8	9.8	19.6	0.8	0.6	0	0.2	0.4	4.6	1.6	17.6
Private Job	29.2	6.4	19	6.6	1.6	0.2	0.6	1	9.2	1.2	12.8
Self- Employed	20	1.6	7.6	3.6	2.2	0.4	0.4	0.8	6.4	1.4	3.6
Business	14	0.6	7	1.2	1.2	0.6	0.2	0.6	5.8	2.2	4.4
Retired	11	8	2.8	0.4	0.2	0	0	0.4	1.2	0.6	1
Marital Status											
Single	15	0.6	3	0.4	1	0.2	0.4	0.2	5.8	2	3.6
Married without children	24	9.2	11.8	3	1.2	0.4	0.2	1.4	7.4	1.8	10.4
Family with dependent children	48	11.8	35.8	7	2.2	0.2	0.6	1	10.6	1	20.4
Family without dependent Children	13	4.8	5.4	2.2	1.4	0.4	0.2	0.6	3.4	2.2	5
Age											
18-24	14	0.8	4	0.8	0.4	0.2	0.2	0.4	5.2	0.6	2.6
25-34	9	4.8	16.4	4.8	2	0.6	0.4	1	10	1.4	13.4
35-44	25.2	3.6	17.6	3.6	2.6	0.4	0.6	0.8	5.4	1.8	14.4
45-59	24	10.8	15	2.4	0.6	0	0.2	0.6	5.6	2.2	7.4
60-79	27.8	6.4	3	1	0.2	0	0	0.4	1	1	1.6
Gender											
Female	34	17.6	37.8	8.6	4.4	0.8	1	2.4	16	5.2	21.8
Male	66	8.8	18.2	4	1.4	0.4	0.4	0.8	11.2	1.8	17.6
Total	**100**	**26.4**	**56**	**12.6**	**5.8**	**1.2**	**1.4**	**3.2**	**27.2**	**7**	**39.4**

Source: Research findings
N=500, Respondents could select multiple options

Fig 1.17. Investment Instruments used by Households in Gurugram (No's)



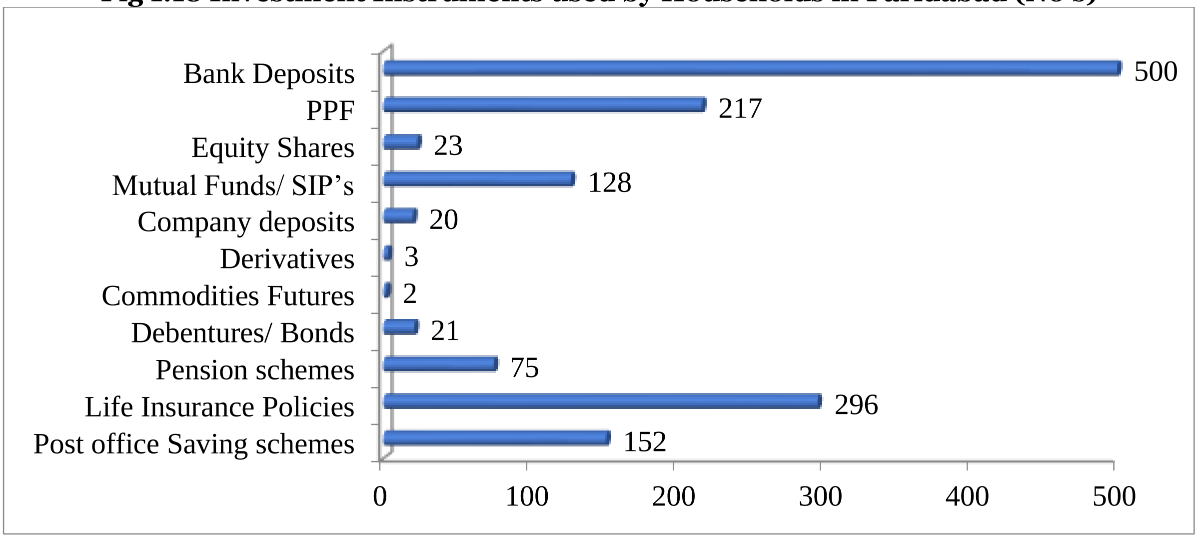
Source: Research findings
N=500, Respondents could select multiple options

Table 1.3: Choice of Saving Instruments (Gurugram) (per cent)

Household's Profile	Bank Deposits	Post office Saving schemes	Life Insurance Policies	Pension schemes	Debentures/ Bonds	Commodities Futures	Derivatives	Company deposits	Mutual Funds/ SIP's	Equity Shares	PPF
Educational Qualification											
Bachelor's degree	38.0	13.4	23.4	4.211	1.8	0.6	0.4	0.8	6.8	3.8	14.2
Master degree	32.0	7.6	19.4	3.8	2.0	0.6	0.6	0.4	8.4	3.2	12.0
Professional degree	18.0	0.8	8.4	2.6	2.4	0.8	0.8	0.8	8.6	1.8	6.6
Doctorate Degree	12.0	1.4	2.4	0.4	2.0	0.6	0.4	0.4	5.8	1.4	3.4
Monthly Income											
20,000-50,000 per month	44.4	10.8	21.4	3.8	1.4	0.6	0.4	0.4	9	2	16.2
50,000-1,00,000 per month	33.4	9.8	20	4.8	3	1.2	0.8	1.2	14.4	3.2	11.4
More than 1,00,000 per month	22.2	2.6	12.2	2.4	3.8	0.8	1	0.8	6.2	5	8.6
Employment Status											
Government Job	25	9	19	0.4	1.2	0.4	0.4	0.2	5.2	2.4	17
Private Job	30	5.6	18.4	6.2	2.2	0.4	0.8	0.8	9.4	2	12.4
Self- Employed	18	0.4	7.6	3.2	2.4	0.8	0.4	0.6	6.8	1.8	2.8
Business	17	1	6.4	0.8	1.6	0.6	0.4	0.4	6.4	2.8	3.6
Retired	10	7.2	2.2	0.4	0.8	0.4	0.2	0.4	1.8	1.2	0.4
Marital Status											
Single	14.2	0.4	2.4	0.2	1.6	0.6	0.6	0	6.4	2.8	2.8
Married without children	24.8	7.8	11.2	2.4	1.8	0.8	0.4	1.2	8	2.6	9.6
Family with dependent children	46.4	11	35.2	6.6	2.8	0.6	0.8	0.8	11.2	1.8	19.6
Family without dependent Children	14.6	4	4.8	1.8	2	0.6	0.4	0.4	4	3	4.2
Age											
18-24	18	0.8	3.4	0.4	1	0.4	0.4	0.2	5.6	1.4	2
25-34	21.8	4	15.8	4.4	2.4	0.8	0.6	1	10.2	2	12.8
35-44	12.8	2.8	17	3.2	3	0.6	0.8	0.6	6	2.2	13.6
45-59	22.4	10	14.6	2.4	1	0.4	0.2	0.4	6.2	3	6.8
60-79	25	5.6	2.8	0.6	0.8	0.4	0.2	0.2	1.6	1.6	1
Gender											
Female	39	15.6	36	7.6	5.8	1.6	1.6	1.6	17.4	7.4	20.4
Male	61	7.6	17.6	3.4	2.4	1	0.6	0.8	12.2	2.8	15.8
Total	**100**	**23.20**	**53.60**	**11.00**	**8.20**	**2.60**	**2.20**	**2.40**	**29.60**	**10.20**	**36.20**

Source: Research findings
N=500, Respondents could select multiple options

Fig 1.18 Investment Instruments used by Households in Faridabad (No's)



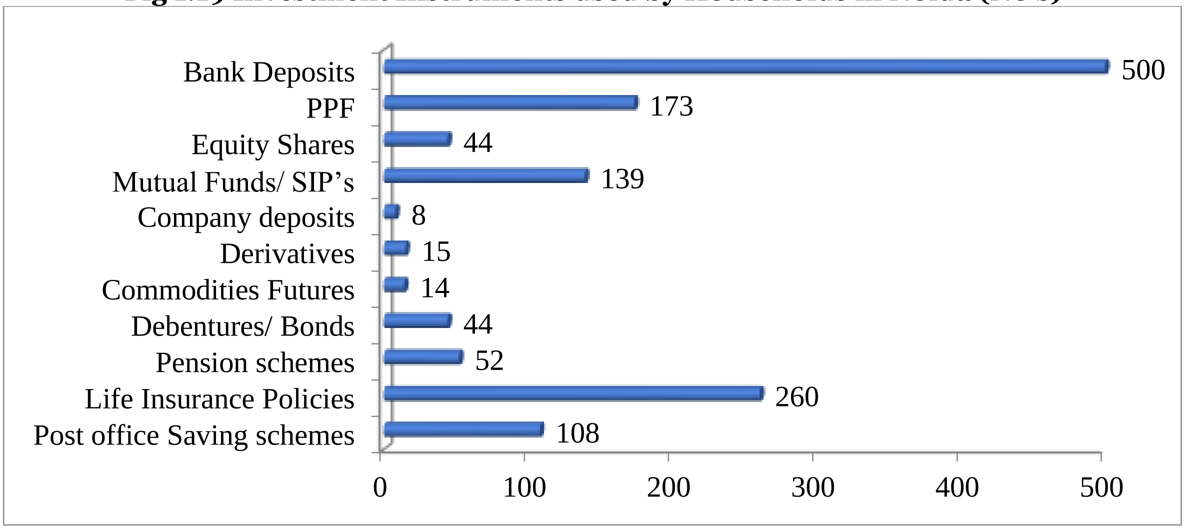
Source: Research findings
N=500, Respondents could select multiple options

Table 1.4: Choice of Saving Instruments (Faridabad) (per cent)

Household's Profile	Bank Deposits	Post office Saving schemes	Life Insurance Policies	Pension schemes	Debentures/ Bonds	Commodities Futures	Derivatives	Company deposits	Mutual Funds/ SIP's	Equity Shares	PPF
Educational Qualification											
Bachelor's degree	37	15.2	24.8	5.2	0.8	0	0	1.2	5.8	2.4	16
Master degree	26.4	9.4	20.8	4.8	1	0.2	0.2	0.8	7.4	1.8	13.8
Professional degree	25.4	2.6	9.8	3.6	1.4	0.2	0.4	1.2	7.6	0.4	8.4
Doctorate Degree	11.2	3.2	3.8	1.4	1	0	0	0.8	4.8	0	5.2
Monthly Income											
20,000-50,000 per month	46.4	13.8	23.2	5.2	0	0	0	1	8	0.4	19
50,000-1,00,000 per month	30.4	11.6	22.2	6.2	2	0.2	0.2	1.6	12.6	1.2	14
More than 1,00,000 per month	23.2	5	13.8	3.6	2.2	0.2	0.4	1.4	5	3	10.4
Employment Status											
Government Job	26.4	10.6	20.4	1.4	0.2	0	0	0.6	4.2	1	18.4
Private Job	25	7.4	19.6	6.8	0.8	0.2	0.4	1.2	8.8	0.6	13.6
Self- Employed	21.6	2.2	8.4	4.2	1.8	0.2	0.2	0.8	6	0.8	4.6
Business	15	1.6	7.4	1.6	0.8	0	0	0.8	5.4	1.6	4.8
Retired	12	8.6	3.4	1	0.6	0	0	0.6	1.2	0.6	2
Marital Status											
Single	15.8	1.6	3.8	1	0.6	0	0.2	0.4	5.4	1.4	4.6
Married without children	23.6	10.2	12.6	3.6	0.8	0.2	0	1.6	7	1.2	11.4
Family with dependent children	47.2	12.8	36.6	7.6	1.8	0	0.4	1.2	10.2	0.4	21.4
Family without dependent Children	13.4	5.8	6.2	2.8	1	0.2	0	0.8	3	1.6	6
Age											
18-24	14.8	1.6	4.6	1.2	0	0	0	0.6	4.8	0.4	3.6
25-34	12.2	5.4	17.2	5.2	1.6	0.2	0.2	1.2	9.6	0.8	14.4
35-44	24.2	4.6	18	4	2.2	0.2	0.2	0.8	5.2	1.2	13.8
45-59	22	11.6	15.8	3	0.2	0	0	0.8	5.4	1.6	9
60-79	26.8	7.2	3.6	1.6	0.2	0	0.2	0.6	0.6	0.6	2.6
Gender											
Female	31.6	20.2	39.8	10.4	3.8	0.2	0.4	2.8	15.8	3.6	24.2
Male	68.4	10.2	19.4	4.6	0.4	0.2	0.2	1.2	9.8	1	19.2
Total	**100**	**30.4**	**59.2**	**15**	**4.2**	**0.4**	**0.6**	**4**	**25.6**	**4.6**	**43.4**

Source: Research findings
N=500, Respondents could select multiple options

Fig 1.19 Investment Instruments used by Households in Noida (No's)



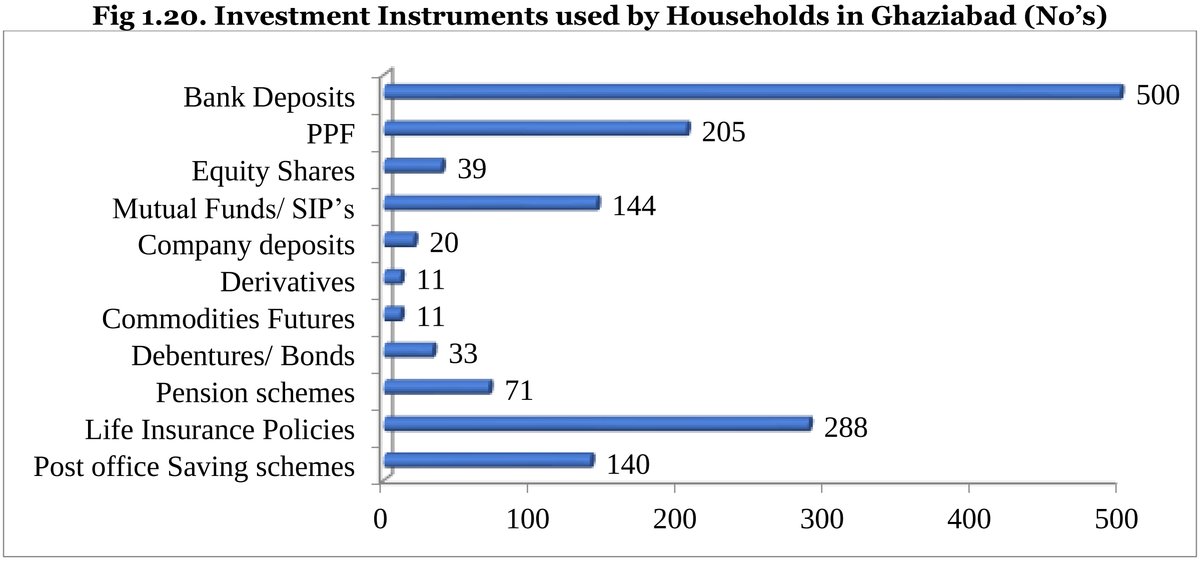
Source: Research findings
N=500, Respondents could select multiple options

Table 1.5: Choice of Saving Instruments (Noida) (per cent)

Household's Profile	Bank Deposits	Post office Saving schemes	Life Insurance Policies	Pension schemes	Debentures/ Bonds	Commodities Futures	Derivatives	Company deposits	Mutual Funds/ SIP's	Equity Shares	PPF
Educational Qualification											
Bachelor's degree	39	13	23	3.8	1.8	0.6	0.6	0.6	6.2	3	13.8
Master degree	28.8	7.2	19	3.4	2	0.8	0.8	0.2	8.4	2.8	11.6
Professional degree	20.6	0.4	8	2.2	2.8	0.8	1	0.6	7.4	1.4	6.2
Doctorate Degree	11.6	1	2	1	2.2	0.6	0.6	0.2	5.8	1.6	3
Monthly Income											
20,000-50,000 per month	49.8	10.2	20.4	3.4	1.8	0.6	0.8	0.2	9	1.8	15.8
50,000-1,00,000 per month	28.2	9.2	19.8	4.8	3.2	1.2	0.8	0.8	12.8	2.6	10.8
More than 1,00,000 per month	22	2.2	11.8	2.2	3.8	1	1.4	0.6	6	4.4	8
Employment Status											
Government Job	24.2	8.6	18.8	1.2	1.2	0.4	0.6	0.2	4.2	1.4	16.4
Private Job	28.2	5.2	18.2	5.8	2.2	0.6	0.6	0.6	8.8	2	11.6
Self- Employed	22.2	0.4	6.8	2.8	2.8	0.4	0.8	0.4	6.8	1.6	2.6
Business	14.2	0.6	6.2	0.4	1.8	1	0.6	0.2	6	2.6	3.2
Retired	11.2	6.8	2	0.2	0.8	0.4	0.4	0.2	2	1.2	0.8
Marital Status											
Single	14.2	0.2	2	0.6	1.6	0.6	0.8	0	6	2.4	2.4
Married without children	22.6	7.8	10.8	2.2	2	0.8	0.6	1	7.2	2.2	9.2
Family with dependent children	51.2	10.2	34.8	6.2	3	0.6	1	0.4	11	1.6	19.2
Family without dependent Children	12	3.4	4.4	1.4	2.2	0.8	0.6	0.2	3.6	2.6	3.8
Age											
18-24	12	0.8	3	1	2.6	0.6	0.6	0.2	5.2	1	1.8
25-34	8	3.6	15.4	4.2	2.6	1	0.8	0.6	9.8	2	12.4
35-44	26.8	2.4	16.6	2.8	1.2	0.6	0.6	0.4	5.8	2	13.2
45-59	23.4	9.6	14	1.6	0.8	0.4	0.6	0.2	5.8	2.4	6.2
60-79	29.8	5.2	3	0.8	1.6	0.2	0.4	0.2	1.2	1.4	1
Gender											
Female	32.2	16	36.2	7.6	7	1.8	2	1.2	16.2	6	20.2
Male	67.8	5.6	15.8	2.8	1.8	1	1	0.4	11.6	2.8	14.4
Total	**100**	**21.6**	**52**	**10.4**	**8.8**	**2.8**	**3**	**1.6**	**27.8**	**8.8**	**34.6**

Source: Research findings
N=500, Respondents could select multiple options

Fig 1.20. Investment Instruments used by Households in Ghaziabad (No's)



Source: Research findings
N=500, Respondents could select multiple options

Table 1.6: Choice of Saving Instruments (Ghaziabad) (per cent)

Household's Profile	Bank Deposits	Post office Saving schemes	Life Insurance Policies	Pension schemes	Debentures/ Bonds	Commodities Futures	Derivatives	Company deposits	Mutual Funds/ SIP's	Equity Shares	PPF
Educational Qualification											
Bachelor's degree	39.8	14.6	24.4	5	1.4	0.4	0.4	1.2	6.6	3.2	15.4
Master degree	30.2	8.8	20.4	4.6	1.6	0.6	0.6	0.8	8.2	2.6	13.2
Professional degree	19.6	2	9.4	3.4	2	0.8	0.8	1.2	8.4	1.2	7.8
Doctorate Degree	10.4	2.6	3.4	1.2	1.6	0.4	0.4	0.8	5.6	0.8	4.6
Monthly Income											
20,000-50,000 per month	47.6	12.8	22.6	4.8	0.8	0.6	0.6	1.2	9	1.4	18.4
50,000-1,00,000 per month	28.6	11	21.8	6.2	2.6	0.8	0.8	1.2	13.8	2.2	13
More than 1,00,000 per month	23.8	4.2	13.2	3.2	3.2	0.8	0.8	1.6	6	4.2	9.6
Employment Status											
Government Job	24.2	10.2	19.8	1.2	0.8	0.2	0.4	0.6	5	1.8	17.8
Private Job	28	6.8	19.2	7	1.8	0.4	0.6	1	9.4	1.4	13
Self- Employed	20.4	2	8	3.6	2.2	0.6	0.6	1	6.6	1.6	4
Business	15.2	1	7.4	1.6	1.4	0.8	0.4	0.8	6.2	2.2	4.8
Retired	12.2	8	3.2	0.8	0.4	0.2	0.2	0.6	1.6	0.8	1.4
Marital Status											
Single	14.6	1	3.4	0.8	1.2	0.4	0.6	0.4	6.2	2.2	4
Married without children	24.2	9.6	12.2	3.4	1.4	0.8	0.4	1.6	7.8	2	10.8
Family with dependent children	47.2	12.2	36.2	7.4	2.4	0.4	0.8	1.2	11	1.2	20.8
Family without dependent Children	14	5.2	5.8	2.6	1.6	0.6	0.4	0.8	3.8	2.4	5.4
Age											
18-24	14.2	1.2	4.4	1.2	0.6	0.4	0.2	0.6	5.4	0.8	3
25-34	9.4	5.2	16.6	5	2.2	0.8	0.6	1.2	10.2	1.6	13.6
35-44	25.8	4	18	3.8	2.6	0.6	0.8	1	5.8	2	14.6
45-59	23.4	11	15.2	2.8	0.8	0.2	0.4	0.8	6	2.4	7.8
60-79	27.2	6.6	3.4	1.4	0.4	0.2	0.2	0.4	1.4	1	2
Gender											
Female	40	18	38.2	9.2	4.6	1.4	1.4	2.8	17	5.4	22.6
Male	60	10	19.4	5	2	0.8	0.8	1.2	11.8	2.4	18.4
Total	**100**	**28**	**57.6**	**14.2**	**6.6**	**2.2**	**2.2**	**4**	**28.8**	**7.8**	**41**

Source: Research findings
N=500, Respondents could select multiple options

The profile of the households' propensity to save money has been provided and explained above. We have discovered that the principal destination of savings, regardless of the type of household, is either an insurance plan or a bank. This represents the necessity to provide for the financial security of those living within the household. The savings options offered by post offices are, for some inexplicable reason, seen as being less desirable than those offered by commercial banks. The single most important reason is that post office saving plans have burdensome procedures and deliver inadequate returns. More than 50 percent of all households choose commercial banks and insurance schemes as their first choice for savings.

Households make decisions regarding their savings and investments in order to plan both for the present and the future. The levels of risk and liquidity are two aspects that distinguish the various options for savings and investments. In general, we anticipate that households with a relatively high preference for liquidity and a low risk tolerance will engage in a greater amount of savings activity. For instance, families who place a very high priority on their access to cash would select savings accounts rather than fixed deposits as their investment vehicle of choice. We also find that households with higher levels of education choose more analytically sophisticated saving choices, such as mutual funds, when the distribution of savings among various options is broken down by level of education.

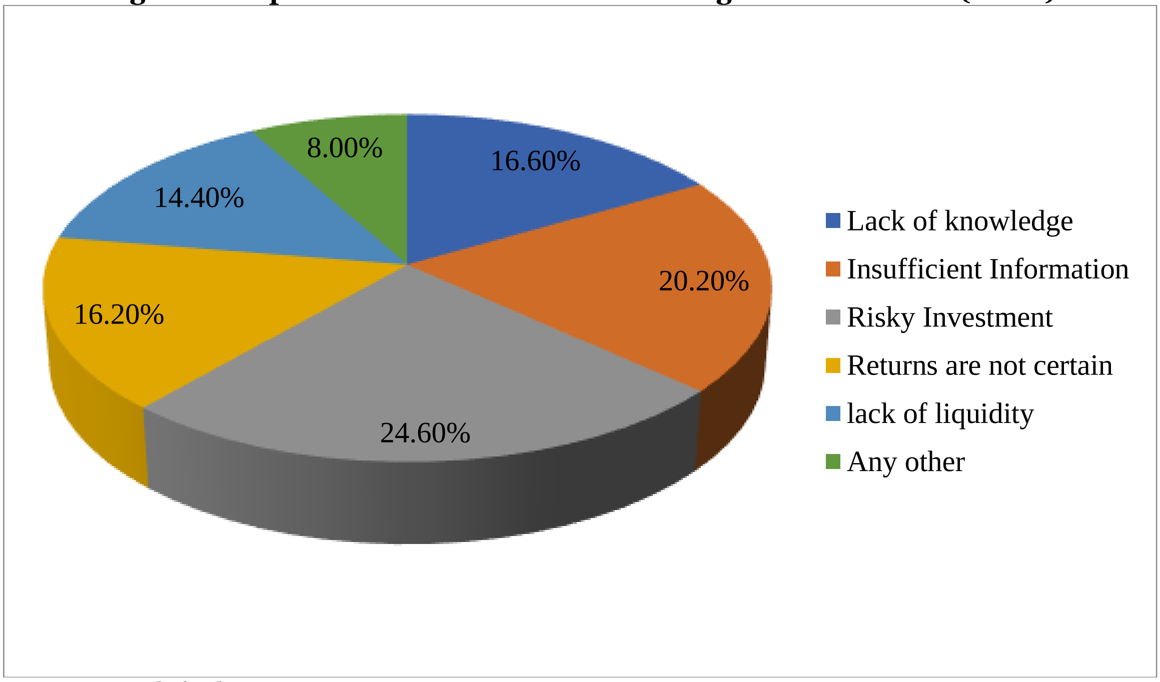
The preference for life insurance is just slightly higher among married people than it is among those who are not married. This preference grows if we disaggregate the data based on married individuals who do not have children and married individuals who do have children. These patterns of allocations among savings instruments are consistent with the liquidity preferences (associated by a low risk) that are inherent in certain types of households.

If the necessity for credit is the motivating factor, households whose primary activity is business chose commercial banks as their preferred savings institution. Clearly, such households have the least preference for various insurance plans. Self-employed individuals follow a similar path. Around 7% of private-sector households invest a portion of their savings to pension plans. If the wage or pay structure in general includes a pension plan, then these households do not prefer a separate pension scheme as a substantial additional source of savings.
The degrees of education people possess have a substantial impact on the distribution of income. It has been found that people with higher incomes have a greater propensity for investing in mutual funds and systematic investment plans (SIPs). Conversely, the choice for life insurance plans is more among those households who are in low income brackets. This should come as no surprise given that traditional safety nets are non-existent at low income levels. Yet, it will be instructive to observe how the savings horizon varies with income level. It is important, both for those who develop policy and for those who regulate it, to focus on savings that have been planned, rather than savings made at a certain point in time. If one has a relatively lengthy time horizon for saving money, then the amount of liquid assets necessary for market participation will be significantly reduced. According to our research, the vast majority of households, regardless of their income level, want to have a saving horizon that is longer than five years. This serves as an early sign of the low degree of preference for taking risks among Indian households. In light of this, it follows that the participation of individual investors on the stock market will be limited to a marginal level at most (the core activity is going to the arena of savings and not in the ambit of the financial markets).
There is not much of a difference in terms of allocations between males and females or between older and younger people. Bank deposits (also known as FDs) are slightly more appealing to women than they are to men. This reflects the fact that ladies in our nation take a more traditional approach to conserving their money by depositing it in banks. On the other hand, research has shown that older people are more likely to keep their money in banks than younger people are. The allocations made by elderly people reflect the fact that they have a greater demand for liquidity.

Why do few households invest in the stock market?

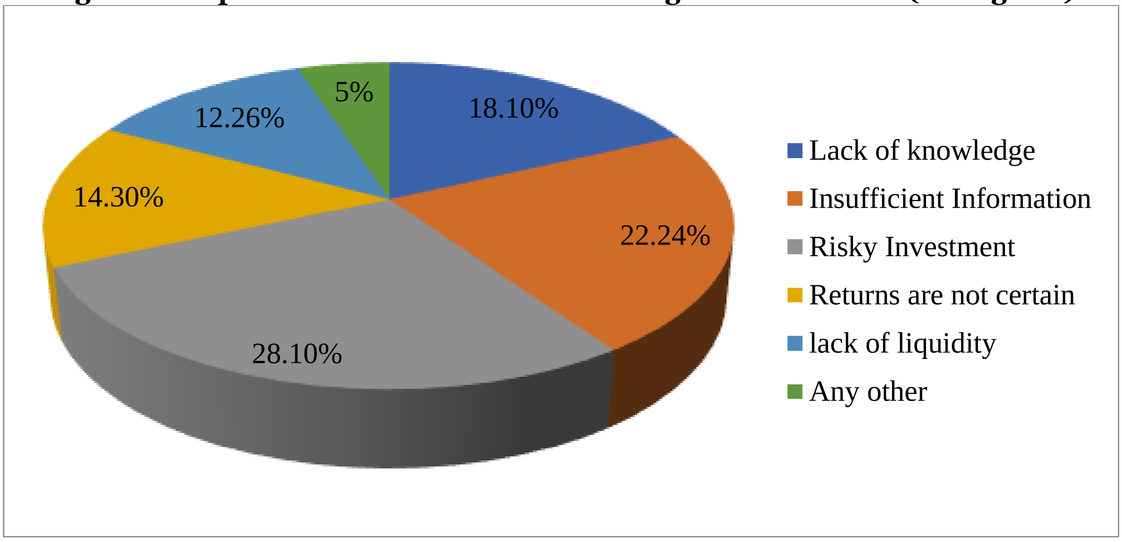
As demonstrated by the previous analysis, there is a sizeable population of households that fall into the high to middle income bracket, have at least some level of education, save money (either in bank accounts, life insurance policies, or post office savings accounts), but do not invest in the stock market. The primary justifications for their abstinence from participating in the securities markets are of the utmost significance to the decision-makers who set policy and those who regulate the securities markets. In the current investigation, an attempt was made to investigate the factors that contribute to a lack of participation in the stock market.

Fig 1.21. Respondents reason for not investing in stock market (Delhi)



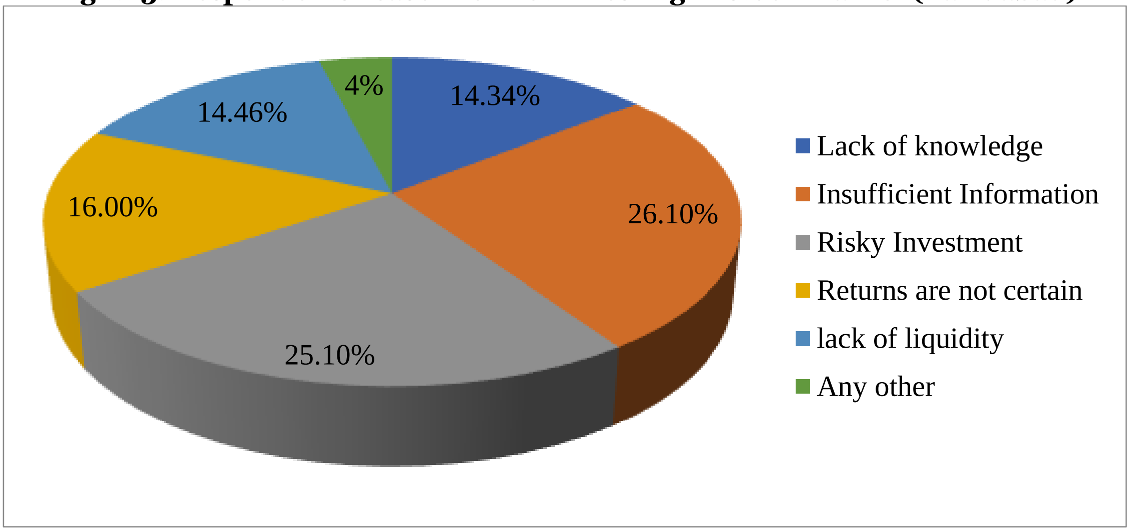
Source: Research findings

Fig 1.22. Respondents reason for not investing in stock market (Gurugram)



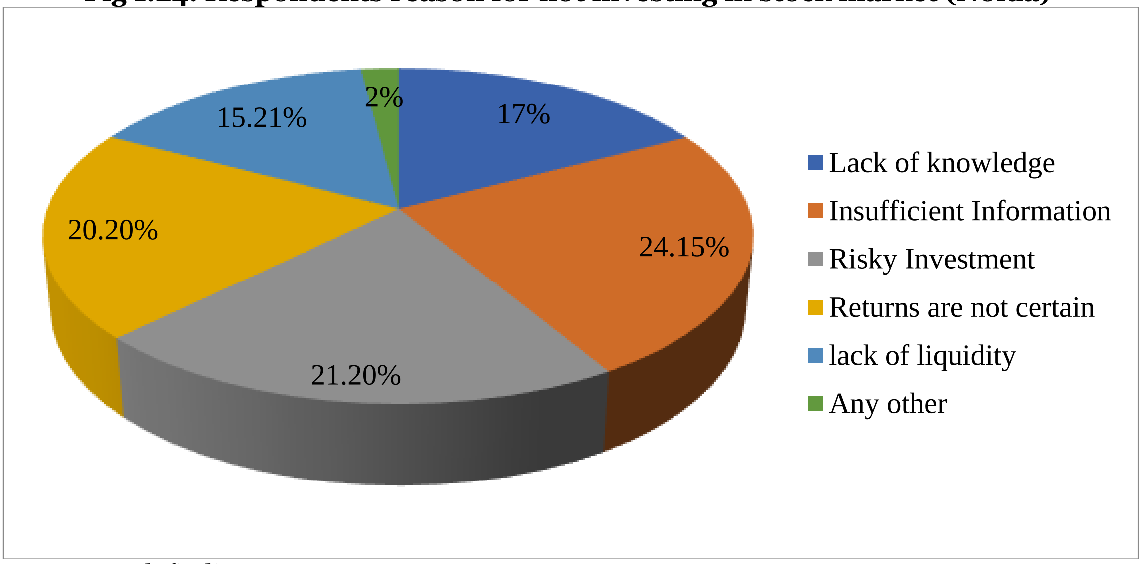
Source: Research findings

Fig 1.23. Respondents reason for not investing in stock market (Faridabad)



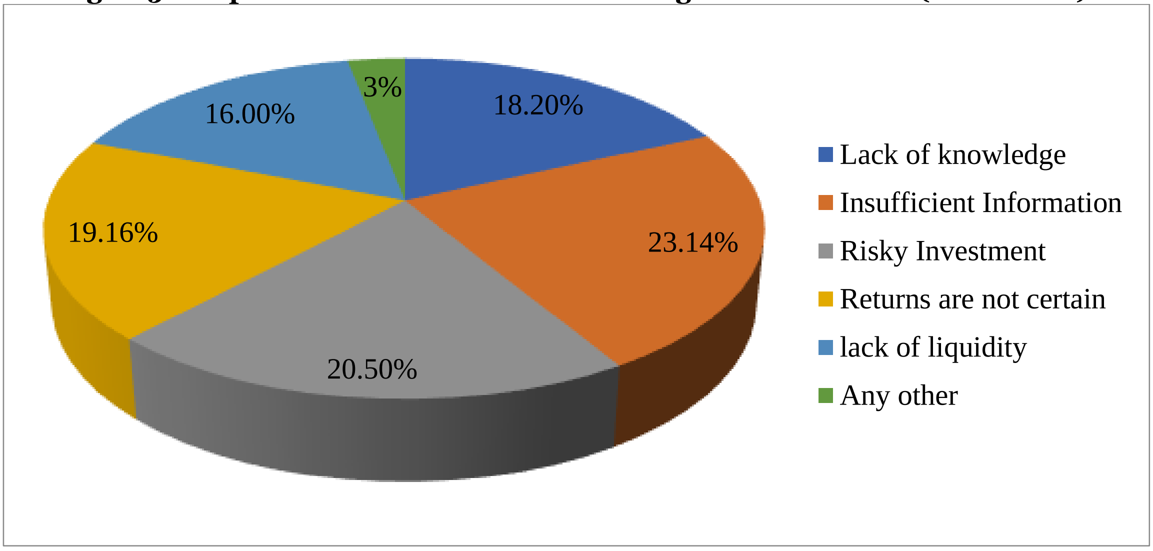
Source: Research findings

Fig 1.24. Respondents reason for not investing in stock market (Noida)



Source: Research findings

Fig 1.25. Respondents reason for not investing in stock market (Ghaziabad)



Source: Research findings

According to the data presented above, the most common reason people do not invest in instruments offered by securities markets is a fear of taking risks (that is, anxiety regarding the level of protection offered by a specific instrument), followed by concerns about the level of potential returns and a lack of knowledge. Because of the consistent and extensive broadcast of information regarding mutual funds in India, the availability of information is no longer a cause for concern. The responses indicate that respondents are becoming more concerned about the returns of mutual funds. On the other hand, investors do not have a complete understanding of stocks, particularly the benefits of diversification that they provide and the relative returns that they offer, particularly in comparison to mutual funds. It appears that prospective investors look at specific savings and investment instruments on their own rather than calculating the ideal weights for such instruments within a diversified portfolio. This means that they are unaware of the greater risk-adjusted returns that may be earned via equity and mutual funds. In addition, the data makes it abundantly evident, from the perspective of the authorities who regulate the securities markets, that none of the rules and limits that have been put in place for investing in the securities markets has become obstacles for potential investors. Very few respondents, less than one percent, said that they decided not to invest because of regulatory issues such as the demand to provide KYC information, the requirement to provide PAN card information, or the limitation on cash investments.

Conclusion

On the basis of the comprehensive examination of all the available data that were collected, processed and analysed in this study, it has been found that there are numerous investment opportunities, including stocks, banks, corporations, gold and silver, real estate, life insurance, postal savings, etc. Depending on their risk tolerance, households allocate their excess funds to the aforementioned opportunities. However, there is a clear contrast between the degrees of awareness of savings schemes and investment instruments. It has been found that the vast majority of survey respondents are incredibly aware about Bank Deposits (100 percent), Life Insurance (94-98 percent), and Post Office Savings (94-98 percent), familiarity with Mutual Funds (60-70 percent) and Equities (25-35 percent) is far lower. On the other hand, awareness of Derivatives (4-10%) and Futures (4-8%) is even lower, while Debentures /Bonds (15-25%), despite being higher in the capital stack and having a disclosed interest rate, also scores low.

Further, in order to gain a deeper understanding of the precise factors that control their investment preferences, the present study analysed the decision-making and investment rationale of households and found that capital gains, which refers to the increase in a capital asset's value (investment) and is considered to be realized when the asset is sold, is the main reason for household saving and investment. Thus, capital gains closely followed by a better standard of living (Improved lifestyle) are the key motivations for investing, but marriage/education of children and the purchase of a residence (Home Buying) also play significant roles. Moreover, since there are essentially no investment alternatives (as opposed to savings programmes) that provide for tax savings, therefore this aspect is ranked substantially lower.

Moreover, the amount of money that a household puts away for savings can be influenced by a number of different things. They include factors that are specific to individual households, such as age, education level, family size, number of assets owned, and the availability of social safety nets. Macroeconomic factors, such as interest rates and predictions regarding inflation or recession, can also have an effect on savings. However, the study found that seventy percent of people with incomes ranging from 20,000 to 50,000 rupees save less than forty percent of their yearly incomes. After a household has achieved a certain level of self-sufficiency with regard to their fundamental requirements, they begin to save money either for potential future emergencies or for the returns on investments. The findings of the study also suggest that middle-class households with incomes in the range of '50000 to '100,000, followed closely by the income group that earns more than 1 lakh, have a larger marginal propensity to save money. Surprisingly, the numbers show that more than around 80 percent of households with monthly incomes of more than one lakh also had savings of less than forty percent of their yearly income.

Further, an effort has been made to investigate the pattern of savings behavior amongst households and found that the principal destination of savings, regardless of the type of household, is either an insurance plan or a bank. This represents the necessity to provide for the financial security of those living within the household. The savings options offered by post offices are, for some inexplicable reason, seen as being less desirable than those offered by commercial banks. The single most important reason is that post office saving plans have burdensome procedures and deliver inadequate returns. More than 50 percent of all households choose commercial banks and insurance schemes as their first choice for savings. The degrees of education people possess have a substantial impact on the distribution of income. It has been found that people with higher incomes have a greater propensity for investing in mutual funds and systematic investment plans (SIPs). Conversely, the choice for life insurance plans is more among those households who are in low-income brackets. This should come as no surprise given that traditional safety nets are non-existent at low-income levels. It has also been found that there is not much of a difference in terms of allocations between males and females or between older and younger people. Bank deposits (also known as FDs) are slightly more appealing to women than they are to men. This reflects the fact that ladies in our nation take a more traditional approach to conserving their money by depositing it in banks. On the other hand, research has shown that older people are more likely to keep their money in banks than younger people are. The allocations made by elderly people reflect the fact that they have a greater demand for liquidity.

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