

A Study on Investment Preferences of Individual investor in Punjab and Haryana: A Comparative Analysis

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Abstract

In the modern era, money plays an important role in everybody's life. In order to overcome the problems of the present and future, people have to invest their hard-earned money. Investment is the commitment of funds that have been saved from current consumption with the hope that some benefits will be received in the future. A variety of investments are available like saving a/c, bank a/c government security, public deposits funds, mutual funds, real estate, gold/silver, equity share market, hedge funds, etc are available. But the choice among the variety of investment avenues depends upon the preferences and behavior of individual investors. The present study is based on the comparative analysis of the investment preferences of the individual investor in Punjab and Haryana. Data of 500 respondents in Punjab & Haryana is collected through a structured questionnaire. Factor analysis and ANOVA is employed by the researcher with the help of SPSS software. The present study revealed that there is no significant difference between the investment preferences of individual investors in Punjab and Haryana.

Keywords: *Investment Preferences, Investment avenues, Punjab & Haryana.*

INTRODUCTION

In the current economic scenario, money is considered as the root cause of all happiness. Investment is a crucial activity for every human being. People start investing to secure their life from uncertainties. Investment is the commitment of funds that have been saved from current consumption with the hope that it will benefit in the near future. Investment is a serious act which people conduct after getting knowledge about that particular act. There are large numbers

of investment avenues available to investors to park their funds (*Geetha and Ramesh, 2011*). Investors have a variety of avenues to invest their hard-earned money. The choice or selection of investor depends upon their risk and return profile. In India, many investment avenues are available where some are marketable and liquid while others are non - marketable and some of them are highly risky and other and others are almost riskless. Investment is totally a subjective activity. Investors invest as per their preferences. There are large numbers of investment avenues available for investors to invest. There are various types of investment avenues that describe the following and categorized as per their perceived risk.

TYPES OF INVESTMENT AVENUES

Safe & Low-Risk Avenue: Saving Account, Bank Fixed Deposits, Public Provident fund, Post Office Savings, National Saving Certificate Government Securities, etc.

Moderate Risk Avenue: Mutual Funds, Life insurance, Debentures.

High-Risk Avenues: Equity Shares Market, Commodity Market, Hedge Market.

Traditional Avenues: Real Estate, Gold and Silver, Art and Passion.

LITERATURE REVIVE

Nagpal and Bodla(2009) investigated investment preferences of the individual investors the study revealed that investors prefer less risky instruments, life insurance, fixed deposits with bank and post office, PPF and NSC. The majority of investors were found to be used some source and reference groups for decision making. The researcher found that investors were in a trap of some kind of cognitive illusions such as overconfidence and narrow framing; the study found that investors considered multiple factors and seek diversified information before executing some kind of investment transactions. The study further revealed that the media had become an important part of their investment life. According to them, financial dailies, TV channels all played a pivotal role in making decisions. Moreover, psychographics plays an important role in determining investment behavior and preferences of individual investors.

Ramesh and Geetha (2011) attempted to analyze an article entitled a study on people's preferences in investment behavior. The study emphasized the factor that influences the

investment behavior of people and the attitude of the respondents towards different investment choices. Sample respondents of 210 respondents were randomly selected with the help of a structured questionnaire from the Kurumbalur area. Data were analyzed through descriptive statistics and chi-square analysis. The study revealed that respondents of Kurumbalur had medium knowledge about various investment avenues and were not aware of the stock market, equity, bonds, and debentures. The study had identified that a person should deal with planning and must to know all the various investment choices how these can be chosen for the purpose of attaining the overall objective. The study revealed that all age group people give more importance to make an investment in insurance, NSC, PPF and bank deposits.

Das (2012) studied the middle-class household's investment behavior and found that the trends of investment by households were not similar in nature and they vary between several financial instruments. The study revealed that amongst other investment avenues the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme with a maximum number of respondents investing in fixed income bearing option.

Das and Jain (2014) conducted a study on the influence of demographical variables on the factors of investment with special reference to Guwahati region. This paper focuses on the relationship between the four-demographic variable *i.e.* age, gender, education, and occupation with the four most important objectives of investment such as risk, return, retirement and tax which influences the buying behavior of the investors. The respondents were investors from among the residents in and around the Guwahati city of Assam. A sample size of 150 customers was personally interviewed and data was collected. The study emphasized the fact that demographic variables indeed played a role in the mindset of the investor community which was driven by age and educational qualification. The study revealed that the various demographical variables had an association with the objectives of investment. Among the demographic variables considered for the study, gender and occupation were the most influential variables on the objectives of investment.

Monika and Agarwal (2017) determined factors affecting the investor's choice for investment decision making. The data was collected from 100 respondents who were from Udaipur city. The data was analyzed with the help of the percentage and chi-square test with the help of SPSS. The analysis of profile indicates that the age group of 31-40 years of respondents constitutes the largest age group amongst the respondents and the above 50 years age group of respondents constitutes the least group amongst the respondents. The researcher concluded that investors were more conservative in nature and they prefer to invest in bank deposits, small savings, post office saving, etc. The study showed that life insurance was the most preferred investment avenue among different variables.

Singh and Kaur (2018) conducted an empirical study on a study of investment patterns & gender differences in the investment behavior of the residents in and around Mohali and where they preferred to invest whether in equity, fixed deposits, post office, insurance policies, bond, mutual fund, etc. A sample of 200 respondents was selected through simple random sampling. The study concluded that a majority of respondents indulge in long term investments like fixed deposits and traditional investments and people invest 15-30 percent of their income in investment activities. 22.5 percent of people did not have a formal budget and all were unmarried and students. Further, the study revealed that most people invest in a low-risk investment. The study also revealed that women investor was less confident than men about their financial future and about financial knowledge.

OBJECTIVES OF THE STUDY

1. To analyze the investment preferences of individual investors in Punjab and Haryana.

HYPOTHESES OF THE STUDY

H₁: There is a significant difference between the investment preferences of individual investors in Punjab & Haryana.

H₀₁: There is no significant difference between the investment preferences of individual investors in Punjab & Haryana.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design is the set of methods and procedures used in collecting and analyzing the data. The present research design is descriptive by nature. It is the simplest type of research and is more specific. “A quantitative descriptive study can be carried out to obtain information about the preferences, attitudes, practices, concerns, or interest of some group of people.”(*Gay and Airasian(2000)*).

SCOPE OF THE STUDY

The study is mainly planned to know about individual investor’s preferences and behavior regarding various investment avenues.

AREA OF THE STUDY

The present study is conducted in two states Punjab & Haryana. Further, these two states are subdivided among five major populated cities of both Punjab and Haryana on the bases of population census of 2011 major cities of Punjab are Amritsar, Jalandhar, Patiala, Bathinda, Ludhiana and five of Haryana are Gurgaon, Panipat, Faridabad, Rohtak, Ambala.

Note: (As the population census of 2011 Yamunanagar is considered as a fifth highly populated city of Haryana. But in this instead of Yamunanagar Rohtak has been chosen on the bases of more developed one).

SAMPLE SIZE

The sampling size is restricted to a total of 500 respondents of both states and further segmented to 250 of each state.

SAMPLE TECHNIQUE

A judgemental sampling technique has been used by the researcher.

DATA COLLECTION

The present study is based on primary and secondary data. The required data were collected through structured questionnaire certain documents and websites etc.

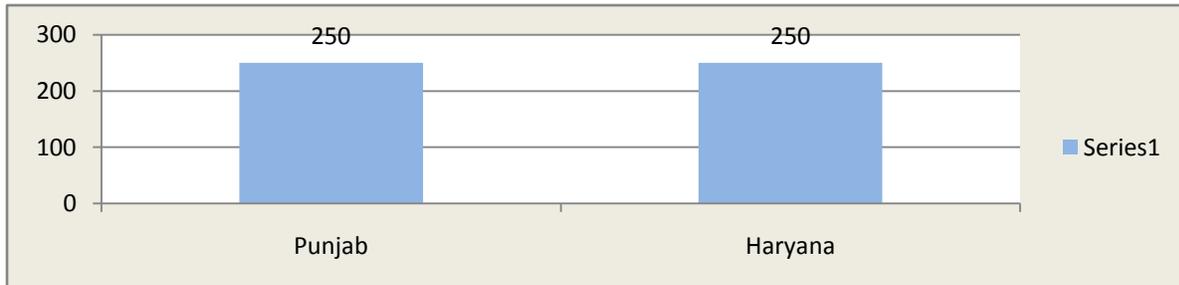
DATA ANALYSIS

The data has been analyzed with the help of appropriate statistical tools like factor analysis, One way ANOVA and Independent Samplet’ test with the help of Statistical Package for Social Sciences (SPSS) version22.

Table 1.1 States of Respondents

S.NO	State	No. of Respondents	Percent
1	Punjab	250	50.0
2	Haryana	250	50.0
	Total	500	100.0

Source: Primary Data



Source: Primary Data

The above table 1.1 inferred the state-wise distribution of respondents. Out of 500 respondents, 250 respondents have been selected from Punjab and 250 from Haryana

H₀: There exists no significant difference between the investment preferences of individual investors in Punjab and Haryana

KMO AND BARTLETT'S TEST

Table-1.2: Investment Preferences of Individual Investors in Punjab

Kaiser- Meyer-Olkin Measure of Sampling Adequacy	.899
Bartlett’s Test of Sphericity Approx. Chi-Square	2992.174
DF	105
Sig.	.000*

Level of Significant: 5 percent

The present study indicates, Kaiser-Meyer-Okin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett’s test of Sphericity has been applied to verify the adequacy or appropriateness of data for factor analysis. In this study, the value of KMO of Punjab for an overall matrix has been found to be excellent (0.899) and Bartlett’s test of Sphericity is highly significant ($p < 0.05$) as chi-square value draw significant level at five percent.

Table-1.3: Eigen Value and % of total Variance of Investment Preferences of Individual Investors in Punjab

	Eigen Value	% of Total Variance
1	6.669	44.457
2	3.025	20.167
3	1.145	7.636
4	1.027	6.847

Source: Computed from Primary Data

Interpretation of Results

The above table 1.3 describes four factors are identified as being maximum percentage variance accounted. The factor 1 which is safe/low with moderate risk investment avenues contains maximum variables in it and accounts for the highest Eigenvalue 6.669 with the percentage of total variance 44.457. The factor named as is high with traditional risk investment avenues contains five variables and constitutes the factor II and it accounts for the second-highest Eigenvalue 3.025 with percent of total variance 20.167. The factor named moderate risk investment avenues grouped two variables in it and consider as factor III and it accounts for Eigenvalue 1.145 with percent total variance 7.636. The factor named as traditional risk Investment Avenue contains the fourth highest Eigenvalue 1.027 with the percentage of Variance 6.847 respectively.

In addition, four factors are identified and their detail elucidation with their mean, standard deviation and ranking on the bases of their investment preferences in Punjab is discussed below in table 1.4 respectively. In addition, four factors are identified and their detail elucidation with their mean, standard deviation, and ranking on the bases of their investment preferences in Punjab and Haryana are discussed below in Table 1.4 has been inferred about factor loading, mean, standard deviation and ranking of various investment avenues as per the preferences of the

individual investor in Punjab. After computing the factor analysis four factors have emerged and the ranking of these various investment avenues executed per the preferences of the individual investor in Punjab.

Table-1.4: Factor loading and Mean with Standard deviation and Rank for Investment Preferences of Punjab.

Statements	Factor Loading	Mean	SD	Rank
Low with Moderate Risk Investment Avenues				
National saving certificate	.918	3.08	1.508	6
Public provident fund	.903	2.86	1.597	5
Post office saving	.896	2.80	1.542	4
Government securities	.890	3.17	1.499	7
Bank fixed deposits	.884	2.61	1.595	3
Saving account	.843	2.23	1.386	1
Life insurance	.717	2.48	1.117	2
Highly Risky with Traditional Investment Avenues				
Art & Passion	.867	3.69	1.405	4
Hedge Funds	.862	3.90	1.331	5
Equity share market	.821	3.43	1.718	3
Commodity market	.781	3.35	1.546	1
Gold/silver	.651	3.41	1.223	2
Moderate Risk Investment Avenues				
Mutual funds	.900	2.50	.919	1
Debentures	.571	2.81	1.103	2
Traditional Investment Avenues				
Real/Estate and property	.933	2.22	.741	1

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 5 iterations.

Source: Computed from Primary Data, Significant at 5 percent level.

- **Low with Moderate Risk Investment Avenues:** Table 1.4 indicates, on the bases of their mean score researcher ranked various investment avenues in order. Mean score 2.23 of investment preferences indicates, that bank saving a/c is a highly preferred investment avenue among investors of Punjab, and ranked in the first position. Followed by life

insurance with mean score 2.48 considered as the second choice for the investor so it ranked in the second position. Consequently, the sample subjects' have deposited their savings in bank fixed deposit, post office saving, public provident fund, and prefer them on third, fourth and fifth rank position with their mean score 2.61, 2.80, 2.86 respectively. On an average of 3.08, 3.17 of investment preferences indicates that respondents of Punjab prefer national saving certificate and government securities preferred on sixth and seventh position respectively.

- **Highly Risk with Traditional Investment Avenues:** In table 1.4 data discussions, of the various highly with traditional risk investment avenues, the commodity market becomes highly preferable investment avenue among investors with its mean score of 3.35 and has been ranked in the first position. Followed, by gold/silver is ranked in the second position with a mean score of 3.41. Consequently, the sample subjects also prefer to invest their saving in high-risk Investment Avenue called the equity share market with a mean score of 3.43 and ranked it in the third position. Followed, by art & passion and hedge funds considered by an investor of Punjab, as a fourth and fifth place with their mean score 3.69 and 3.90 respectively.
- **Moderate Risk Investment Avenues:** In table 1.4 data describes, on an average 2.50 of their investment preference indicates, that investors of Punjab invest their saving in mutual funds and ranked it in the first position. Consequently, the sample subject also prefers to invest their savings in debentures and ranked in the second position with their mean score of 2.81 respectively.
- **Traditional Investment Avenues:** In table 1.4 data describes investors of Punjab prefer real/estate as on good priority with its mean 2.22, indicates investor of Punjab likes to invest their money in physical assets in form of real/property. Further, the factor analysis applied to 250 investors of Haryana with regard to investment preferences the detail explanation is discussed.

INVESTMENT PREFERENCES OF INDIVIDUAL INVESTORS IN HARYANA KMO AND BARTLETT'S TEST

Table- 1.5: Investment Preferences of Haryana

Kaiser Meyer-Olkin Measure of Sampling Adequacy		.783
Bartlett's Test of Sphericity	Approx. Chi-square	1412.163
	Df	105
	Sig.	.000*

Source: Primary Data, Level of Significance at 5 percent

Interpretation of Results

The present study indicates, Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett's test of Sphericity was applied to verify the adequacy or appropriateness of data for factor analysis. In this study, the value of KMO of Haryana for an overall matrix was found to be excellent (0.783) and Bartlett's test of Sphericity is highly significant ($p < 0.05$). Bartlett's Sphericity test was effective, as the chi-square value draws significance at the five percent level. The results thus indicated that the sample taken was appropriate to proceed with a factor analysis procedure. Besides, these four factors are identified and their Eigenvalue with % of Variance of investment preferences of the individual investor in Punjab and Haryana are explained below with their values in table 4.5 respectively.

Table-1.6: Eigen Value and % of total Variance of Investment Preferences of Individual Investors in Haryana.

	Eigen Value	% of Total Variance
1	4.012	26.744
2	2.919	19.460
3	1.516	10.110
4	1.246	8.305

Source: Computed from Primary Data

Interpretation of Results

The above table 1.6 describes four factors are identified as being maximum percentage variance accounted. Factor 1 which is high with traditional risk investment avenues contains maximum variables in it and accounts highest Eigenvalue 4.012 with the percentage of total variance 26.744. The factor named as is safe/low-risk investment avenues contains five variables and

constitutes the factor II and it accounts for the second-highest Eigenvalue 2.919 with percent of total variance 19.460. The factor named safe/low with moderate risk investment avenues grouped two variables in it and consider as factor III and it accounts for Eigenvalue 1.516 with percent total variance 10.110. The factor named as moderate and traditional with high-risk investment avenue contains the fourth highest Eigenvalue 1.246 with the percentage of Variance 8.305. In addition, four factors are identified and their detail elucidation with their mean, standard deviation and ranking on the bases of their investment preferences in Punjab and Haryana are discussed below in Table 1.7 respectively.

Table-1.7: Factor loading and Mean with Standard deviation and Rank for Investment Preferences of Haryana

Statements	Factor Loading	Mean	SD	Rank
Highly Risk with Traditional Investment Avenues				
Art & Passion	.873	3.55	1.359	3
Hedge Funds	.832	3.68	1.237	4
Gold/silver	.699	2.72	1.090	1
Equity share market	.640	3.30	1.190	2
Low-Risk Investment Avenues				
Saving a/c	.737	1.80	.854	1
Public Provident Fund	.736	2.08	.900	3
Bank Fixed Deposits	.733	2.01	.948	2
Low with Moderate Risk Investment Avenues				
Government Securities	.781	2.56	1.115	3
Post Office Saving	.720	2.38	1.066	1
Debentures	.683	2.71	1.067	4
National Saving Certificates	.663	2.45	1.097	2
Moderate and Traditional with High-Risk Investment Avenues				
Mutual funds	.720	2.27	.981	2
Commodity Market	.696	3.09	1.153	4
Real/Estate Property	.682	2.42	.984	3
Life Insurance	.460	2.11	.986	1

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Rotation converged in 6 iterations.

Source: Computed from Primary Data, Significant at 5 percent level.

- **Highly Risk with Traditional Investment Avenues:** Table 1.7 indicates, on the bases of their mean score researcher ranked various investment avenues in order. Mean score 2.72 of investment preferences indicates, that gold/silver is a highly preferred investment avenue as compared to other highly risky avenues among investors of Haryana, and ranked in the first position. Followed by the equity share market with mean score 3.30 considered as the second choice for the investor so it ranked in the second position. Consequently, the sample subjects' have invested their savings in art & passion and hedge funds prefer it on third and fourth rank with their mean score of 3.55 and 3.68 respectively.
- **Safe/Low-Risk Investment Avenues:** The table 1.7 indicates that a mean score of 1.80 of investment preferences depicts that a bank saving account is a highly preferred investment avenue among investors of Haryana, so it is ranked as on the first position. Followed by, bank fixed deposits positioned as second well-known investment avenue with mean score 2.01. Consequently, the public provident fund is recognized as the third preference with a mean score of 2.08 respectively
- **Safe with Moderate Risk Investment Avenues:** In table 1.7 data describes, on an average 2.38 of their investment preference indicates, that investor of Haryana invests their saving in post office saving ranked it in the first position. Consequently, the sample subject also prefers to invest their savings in the national saving certificate and ranked on the second position with their mean score of 2.45. Followed by government securities and debentures ranked as third and fourth with their mean score 2.56 and 2.71 respectively.
- **Moderate and Traditional with high-Risk Investment Avenues:** In table 1.7 data describes, that the investor of Haryana prefers life insurance as a highly preferred avenue with its mean 2.11, indicates investor of Haryana like to purchase life insurance policies and invest their money in it. Followed by mutual funds as a second priority with mean 2.27, depicts that investor of Haryana would like to diversify their risk through mutual funds.

Real/estate and commodity markets are in third or fourth position with mean 2.42 and 3.09 respectively. To know about significant differences and no significant between the investment preferences in Punjab and Haryana researchers take mean score and standard deviation and applied one-way ANOVA in it. The detail explanation of this is below in table no.1.8 respectively.

Table 1.8 Mean score with Standard Deviation of Punjab & Haryana.

States Variables	Punjab		Haryana	
	Mean	SD	Mean	SD
Saving a/c	2.23	1.386	1.80	.854
Bank fixed deposits	2.61	1.595	2.01	.948
Public provident fund	2.86	1.597	2.00	.900
National saving certificate	3.08	1.508	2.45	1.097
Post office Saving	2.80	1.542	2.38	1.066
Government security	3.17	1.499	2.56	1.115
Mutual fund	2.50	.919	2.27	.981
Life insurance	2.48	1.117	2.11	.986
Debentures	2.81	1.103	2.71	1.067
Equity market shares	3.43	1.718	3.30	1.190
Commodity market	3.35	1.546	3.09	1.153
Hedge market	3.90	1.331	3.68	1.237
Real/estate & property	2.22	.741	2.42	.984
Gold/silver	3.41	1.223	2.72	1.090
Art & passion	3.69	1.405	3.55	1.359

Source: Primary Data

For further analysis, data should be normal. If it is more than a significant level it means data is fit for further analysis. The normality of data of Punjab and Haryana has been described in following table 1.9 respectively.

Table 1.9 Test of Normality

	States of Respondents	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistics	df	Sig.
Mean Score of States	Punjab	.117	15	.200*	.962	15	.736
	Haryana	.153	15	.200*	.937	15	.348

Source: Primary Data

Table 1.9 has been inferred as per Kolmogorov-Smirnov analysis the significant value is more than a five percent level of significance. Depicts, the above data is normal.

Table 1.10 Descriptive

Mean Score	N	Mean	Standard Deviation	Standard Error
Punjab	15	2.9693	.51771	.13367
Haryana	15	2.6033	.57491	.14844
Total	30	2.7863	.56886	.10386

Source: Primary Data

Table 1.11: Levene test of Homogeneity of Variance

Levene Statistic	Df1	Df2	Sig.
.053	1	28	.820

*Level of Significance: 0.05

Table 1.12: ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.005	1	1.005	3.357	.078
Within Groups	8.380	28	.299		
Total	9.384	29			

*Level of Significance: 0.05

Above tables, 1.10 to 1.12 tables are related to one way ANOVA. In table 1.6 data depicts, the significant value of Levene's statistics is greater than the 5 percent level of significance, thus it meets the assumption of homogeneity of variance. Table 1.12 describes Analysis of variance the values of the mean score and degree of freedom in between groups and within groups, the p-value is greater than the level of significance at 5 percent. There is no significant difference between investment preferences of individual investors in Punjab and Haryana, $F(1, 28) = 3.357$, $p > 0.05$. Thus, the framed hypothesis is accepted.

CONCLUSION

From this empirical study, it has been observed that there is no significant difference between the investment preference of individual investors of Punjab and Haryana. The researcher used a

factor analysis model, where four components of Punjab and Haryana have resulted. The finding revealed that investors of Punjab and Haryana highly preferred low and moderate risk investment avenues like saving account, bank fixed deposits, public provident fund, post office saving, life insurance, mutual funds and moderate preferences to commodity market, gold-silver, real estate and very least preferences equity market, hedge funds, and art & passion. Describes, individual investors of Punjab and Haryana have been aware of the risk and also diversify it. But still majorly invest in those securities which give returns inconsistent manner. The significant value of ANOVA is more than a five percent level of significance ($P>0.05$). Hence, the framed hypothesis is accepted. Thus, there is no significant difference between the investment preferences of individual investors of Punjab and Haryana.

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