



A Study On Investors Preferences On Various Bank Deposit Schemes.

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ABSTRACT :

This study research into understanding the choices made by investors regarding various bank deposit schemes. It aims to uncover the factors influencing investors' decisions when selecting deposit schemes offered by banks. Through surveys and data analysis, this research explores the preferences of investors, shedding light on the key drivers shaping their investment decisions. By examining factors such as interest rates, maturity periods, and risk perceptions, this study provides insights into the factors driving investor preferences in bank deposit schemes. The findings of this research offer valuable insights for banks to tailor their deposit offerings to better align with investor needs and preferences, ultimately fostering a more informed and satisfied investor base.

Keywords: Investors choice, Bank depositors, Schemes & Survey analysis.

Introduction :

The economic development of any country depends upon the well-organized financial system. The financial system is a much broader term which bring into two terms that is financial markets and the financial institutions which acts as a backbone of the system. It promotes investment and savings which help faster economic development of any nation. Investment is the employment of funds with the aim of achieving additional income or growth in value. so, investment is the commitment of money or capital to purchase the financial instruments to gain higher returns in the form of interest, dividend . A deposit scheme is an account at a banking institution that allows money to be held on behalf of the account holder. Some banks charge a fee for this service, while others may pay the client interest on the funds deposited. The account holder retains rights to their deposit, although restrictions placed on access depend upon the terms and conditions of the account and the provider. The banking terms "deposit" and "withdrawal" actually tend to obscure the economic substance and legal essence of transactions in a deposit account. From a legal and financial accounting standpoint and as counter-intuitive as it may seem the term deposit is actually used by the banking industry in financial statements to describe the liability owed by the bank t its depositor, and not the funds (whether cash or cheques) themselves, which are shown an asset of the bank Typically, an account provider will not hold the entire sum in reserve, but will loan the money out at interest to other clients, in a process known as fractional-reserve banking. It is this process it allows providers to pay out interest on deposits. By transferring the ownership of deposits from one party to another, they can replace physical cash as a method of payment.

1. Concept

A bank deposit scheme is a financial product offered by a bank to customers for the purpose of depositing their funds. The features and benefits of a bank deposit scheme vary depending on the needs and preferences of the customer. A bank deposit scheme serves as a safe and secure way for the customer to save money while earning a return.

In short, bank deposit schemes are designed to meet different financial goals and risk profiles. They offer different options for saving and investing money while also earning a return. Each bank deposit scheme has its own characteristics, advantages, and considerations, so you can choose the best option based on your needs and financial goals.

TYPES OF VARIOUS BANK DEPOSIT SCHEMES

1. Savings Account:

A savings account is a basic deposit scheme where individuals can deposit money and earn interest. It offers liquidity and easy access to funds, making it suitable for daily transactions and short-term savings goals. Interest rates are typically lower compared to other schemes.

2.Fixed Deposit (FD):

Fixed deposits are deposit schemes where customers deposit a lump sum for a fixed period at a predetermined interest rate. FDs offer higher interest rates compared to savings accounts and provide guaranteed returns upon maturity. The longer the deposit term, the higher the interest rate typically offered.

3.Recurring Deposit (RD):

A recurring deposit scheme allows customers to deposit a fixed amount regularly over a predetermined period, usually monthly. RDs offer a disciplined approach to savings and earn interest at rates similar to fixed deposits. Interest is compounded quarterly or at specified intervals.

4.Term Deposit:

Term deposits are similar to fixed deposits but may have more flexible terms, such as variable interest rates or the ability to add funds during the deposit term. These deposits offer higher returns than savings accounts and can have varying maturity periods.

5.Senior Citizen Savings Scheme (SCSS):

SCSS is a special deposit scheme for senior citizens in India, offering higher interest rates and tax benefits. It has a maturity period of five years and can be extended once for an additional three years. SCSS provides regular income to retirees and offers financial security.

6.Monthly Income Scheme (MIS):

MIS is a deposit scheme offering regular monthly income to investors, making it suitable for retirees or those seeking a steady income stream. The principal amount is invested for a fixed term, and interest is paid out monthly. MIS provides a combination of capital protection and regular income.

7.Public Provident Fund (PPF):

PPF is a long-term savings scheme backed by the Indian government, offering attractive interest rates and tax benefits. Deposits have a lock-in period of 15 years, and partial withdrawals are allowed after the fifth year. PPF encourages long-term wealth accumulation and retirement planning.

8.Corporate Deposits:

Corporate deposits are offered by non-banking financial companies (NBFCs) and corporations to investors seeking higher returns than traditional bank deposits. These deposits carry higher risk but may offer attractive interest rates, especially for investors willing to take on more risk.

3.Literature Review

- A Study of Investors Preference towards Various Investments Avenues in Dehradun District by V. Alagu Pandian and Dehradun G. Thangadurai. Published International Journal of Management and Social Sciences Research (IJMSSR) Volume 2, No. 4, April 2013.
- A Study of Investment Pattern & Gender Difference in Investment Behaviour of the Residents- An Empirical Study in and Around Mohali by Ms. Yuvika Singh and Ms. Sarabjit Kaur.
- An empirical study from South Gujarat Region Ms Bhoomi Patel and Dr Vasudev Modi. Published International Journal of Latest Engineering and Management Research (IJLEMR) Volume 02 - Issue 12 || December 2017 || PP. 31-38. By analyzing the influence of demographic characteristics on investment decisions, this research questions conventional rational investment theories. It looks into how investors are influenced by factors such as gender, age, marital status, education, income, size of family, risk tolerance, and investing preferences.
- Demirguc-Kunt & Huizinga, 2004: Investors' Trust in Commercial Banks: Investor confidence and trust in commercial banks are essential for the functioning of financial markets. Investors rely on banks for safekeeping their funds, lending opportunities and financial advice.
- Factors Influencing Investment Decision of the Individual Related to Selected Individual Investors in Chennai City by S.Hemalatha. Published International Journal of Innovative Technology and Exploring Engineering (IJITEE), Volume-8, Issue- 6S4, April 2019. This study explores different investment paths and looks at the goal of investing: to generate profitable returns. These consist of insurance plans, fixed deposits, shares, mutual funds, government securities, corporate bonds, real estate, commodities, and more.
- A Study of Investment Pattern & Gender Difference in Investment Behaviour of the Residents- An Empirical Study in and Around Mohali by Ms. Yuvika Singh and Ms. Sarabjit Kaur. Published International Journal of Management Studies ISSN(Print) 2249-0302 ISSN (Online)2231-2528.
- Calomiris & Mason, 2003: Investor Behavior in Banking Crises: Studies have explored how investors react to banking crises. Some investors may withdraw their funds from banks during times of crisis, which can have adverse effects on economic stability.

- Kurulkar (1983) in his published work on the topic of agriculture finance in backward region reported glaring defects in the step of co-operative credit system. He pointed that out of the ten sample owners who obtained long term credit. Lack of short term on- production credit to the farmers who availed long term credit resulted in lower output per acre, thereby resulting in over dues.
- Khan (1986) in his paper titled, "strategy for farm planning and Agricultural credit for rural development" analyzed the credit needs for agro-based industries to generate rural employment which are particularly important for small farmers and women. It was suggested that the crops and livestock insurance policies should be introduced in order to reduce the risk of borrowers and lenders.

4. Research Methodology

4.1 Objectives of the Study

To examine the impact of economic conditions, such as inflation rates, economic stability, and currency exchange rates, on investors' choices among bank deposit schemes.

To investigate the role of psychological biases, including loss aversion and confirmation bias, in shaping investors' decision-making when selecting deposit schemes.

To assess the influence of demographic factors such as age, income levels, and risk tolerance on investors' preferences for specific deposit schemes.

To analyze the effect of technological advancements and the rise of digital banking on investors' preferences and their adoption of online deposit schemes.

4.2 Research Design:

A descriptive research design is chosen for this study. This design aims to provide a comprehensive and detailed account of a specific phenomenon without manipulating variables. This design allows you to observe and describe the impact of a particular factor without altering it.

4.3 Source of data:

We will be using both primary and secondary data sources for this study. Primary data will be collected directly from your respondents through the survey. Secondary data will involve existing data or literature related to this research topic. This combination helps provide a comprehensive understanding of the phenomenon you're studying.

4.4 Data collection method:

We have opted for a survey as my data collection method. Surveys involve gathering data by posing a set of structured questions to respondents. This method allows me to collect quantitative data efficiently.

4.5 Population:

Size of the sampling population is 200.

4.6 Sampling Method:

Non-probability convenience sampling has been selected as sampling technique. This means that sample is not randomly selected from the population. Instead, participants will be selected based on convenience and accessibility.

5. Data analysis

Demographic profile

Age Group:

In our research sample 56% respondents are in the age group of 18 to 24, 22% of respondents are in the age group of 25 to 30 and 22% respondents are 31 & above.

Gender:

As per our research there are 54.1% of respondents are Male and 45.9% of respondents are Female.

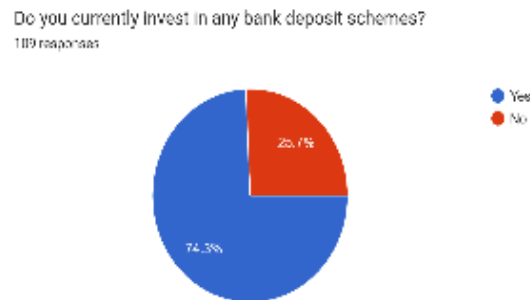
Monthly income:

In our research sample there are 56% respondents have less than Rs.30,000 income while

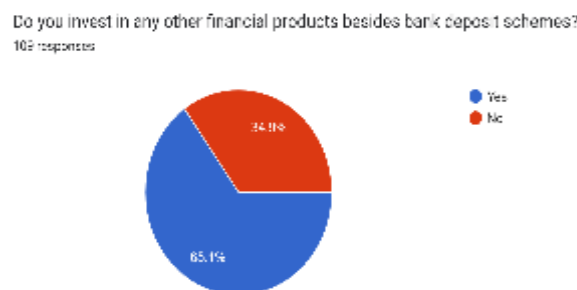
23.9% respondents have Rs.30,000 to 50,000 income and 20.2% respondents have Rs.50,000 and above income.

5.2 Nominal question

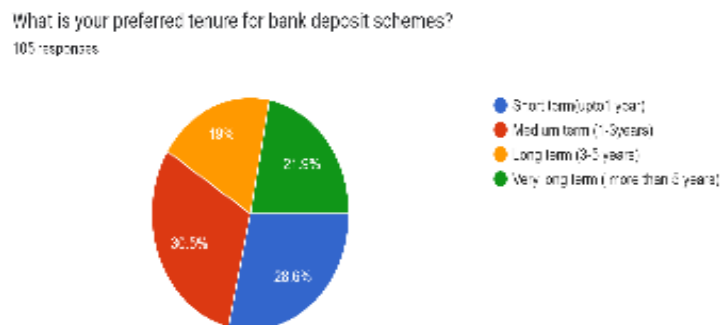
a Graph 1.1 shows that among 109 respondents 74.3% respondents currently invest in B invest in bank deposit schemes and 25.7% respondent does not invest in bank deposit schemes.



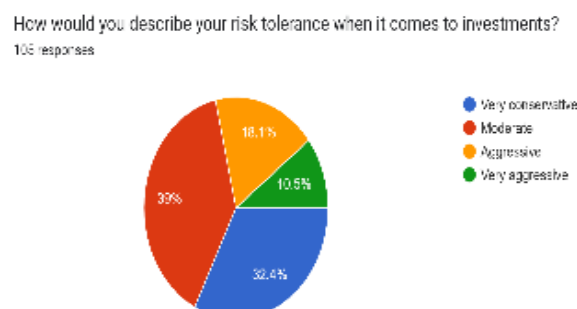
Graph 1.2 shows that among 109 responses 65.1% respondents invest in other financial products beside Bank deposit scheme and 34.9% respondents doesn't invest in other financial products beside Bank deposit schemes.



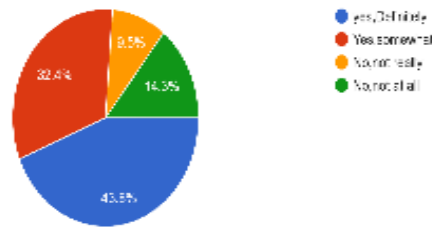
109 resposnden Graph 1.3 shows that among 109 respondents 28.6% respondent prefer tenure for Bank de for bank deposit schemes for short term, while 30.5% respondent prefer tenure for medium te tenure for medium term, 19% respondent prefer tenure for long term and 21.9% responded prefer tenure for very long term.



Graph 1.4 shows that among 109 respondents 39% respondents said that their risk tolerance is risk tolerance is moderate when it comes to investment while 32.4% said that their risk tolerance is that their risk tolerance is very conservative while 10.5% said that there risk is very aggressive and 18.1% said that their risk tolerance is aggressive .



Would you be more inclined to invest bank deposit scheme that offers additional incentives as Bonus?
109 responses



Graph 1.5 shows that among 109 respondents 43.8% respondents will definitely be more inclined to invest in bank deposit schemes that offer additional incentives as Bonus and 14.3% respondents will not at all be more inclined to invest in it.

Family type

5.3 Hypothesis testing:

H0: There is no significant difference between family of the respondent and their bank investment scheme
 H1: There is no significant difference between family of the respondent and their bank investment scheme
 Family type:

Do you currently invest in any bank deposit schemes?

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.128	1	.128	.130	.719
Within Groups	97.951	100	.980		
Total	98.078	101			

- The sum of squares between groups is 0.128 with 1 degree of freedom (df).
- The mean square between groups is 0.128.
- The F-value is 0.130, and the associated p-value is 0.719.

6.Findings

1. Risk perception: Investors showed a clear preference for deposit schemes perceived as low risk. Schemes with guaranteed returns or government backing were preferred over those with higher potential returns but greater risk.
2. Customer services: Investors showed a clear preference for deposit schemes perceived as low risk. Schemes with guaranteed returns or government backing were preferred over those with higher potential returns but greater risk.
3. Tax benefits: Deposit schemes offering tax benefits or exemptions were particularly attractive to investors, especially those in higher tax brackets.
4. Term flexibility: Flexibility in deposit term options was appreciated by investors. Schemes offering both short-term and long-term options were more attractive.
5. Brand reputation: Established bank reputation played a significant role in influencing investor preferences. Banks with a strong brand image were favored over lesser-known institutions.

Conclusion

This study shows how Indian investors behave when it comes to the various bank investment schemes that are currently offered in India to help them meet their societal, psychological, and financial obligations. The respondent investors' tastes and preferences align with a number of advantages, including tax advantages, stability in returns or dividends, safety and security, and the ability to meet future needs. This study has been successful in identifying investment patterns across a variety of demographics, including age, sex, income, and marital status, despite the sample size's inherent limitations. This research could be beneficial not only to investors but also to various financial institutions, organizations, and consultants in identifying and comprehending the primary drivers that encourage Indian investors to participate in various schemes and in the process of making investment decision.

Bank deposit schemes are ways for people to put their money in banks and earn some extra cash. There are different types, like savings accounts where you can easily access your money, fixed deposits where you leave your money for a set time and earn more interest, and recurring deposits where you put in a little money regularly. There are also schemes for senior citizens and ones that give you a monthly income. Each type has its own benefits and risks, so you can pick what suits you best based on what you want to do with your money.

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