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Customer Perspective towards Various Investment Sector

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ABSTRACT:

The Insurance market in India is growing quickly, but there are a number of major obstacles in the way of its potential expansion. These include a low level of public awareness of insurance, inadequate marketing tactics that turn away potential clients, and high insurance product costs that prevent a sizable portion of the population from purchasing them. The industry's growth is further impeded by the fact that investments in life insurance products are noticeably lower than in industrialized foreign nations.

The goal of this study is to present a thorough examination of several investment sectors that are in line with customer preferences. Through exploring what people are actually looking for in the market, the study will pinpoint the important factors affecting clients' choices of various investment opportunities. variables like risk aversion, financial objectives, and market circumstances, and socio-cultural influences will be examined to understand their impact on consumer behavior.

Keywords: Insurance, Investment, Risk aversion, Industrialisation

INTRODUCTION:

An organization that deals with financial and monetary transactions, including deposits, loans, investments, and currency exchange, is known as a financial institution (FI). A functioning capitalist economy depends on financial institutions to connect persons in need of money with lenders or investors. Banks, insurance companies, brokerage houses, and investment dealers are just a few examples of the diverse business operations that fall under the umbrella of financial institutions in the financial services industry.

• Money from investors or savers is frequently matched with money from debtors or companies looking to exchange ownership for cash. The borrower or firm often pays the saver or investor in the future as a result of this. Markets like stock exchanges and goods like loans are the means by which all of these parties can be connected.

Financial institutions play a crucial role in facilitating access to necessary funds, acting as middlemen in loan transactions between borrowers and depositors. They facilitate long-term loans using deposits, benefiting individuals, businesses, and governments in a capitalist system. Banks receive money from those with money, pool it, and lend it to others in need. They are essential for businesses to expand and families to purchase houses, goods, and education with the money they have. Financial institutions are essential components of every economy, benefiting the majority of people in various ways. They facilitate transactions and investment, making them essential for people's daily lives and businesses.

The **objective** of the study is to -

1. To understand the consumer's perspective on investments.
2. Assess the current level of awareness and understanding that consumers have about different investment options.
3. To identify the most popular and least popular investment avenues among consumers.
4. To develop recommendations for improving financial education and awareness program.

LITERATURE REVIEW:

Previous studies:

(S. Vimala & Dr. A. Stephen, 2022) Investment is the employment of funds with the purpose of earning additional income or capital appreciation. Nowadays countries like India facing great challenges for finding sufficient capital for its development. Indian Government take measures for improving the saving habits of people especially in rural area. It shows that our country slowly shifted to digital economy by the way of creating various investment avenues. Investment avenues refer to the different alternatives, through which a person can channelize his/her, money at profitable manner.

Numerous **research studies** have been carried out over time to examine the consumer perspective towards investment.

(Dr. Rachita Ota & Dr. Sushree Sangita Ray & Vineet Mehta, 2022) Conducted studies to find out whether there is any association between (a) the gender and awareness about mutual funds, (b)age group and investment in mutual funds, (c) the age groups and preferred investment avenues, (d) the annual income and investment in mutual fund, (e) the age group and favourable mutual funds plan.

(Vidhi Makwana & Vivek Ayre, April 2020) This study deals with the preference of the investors to identify the better investment avenues available. The investment strategy is a plan, which is created to guide an investor to choose the most appropriate investment portfolio that will help them to achieve their financial goals within a particular period of time.

(Jain, Aashish, 2017) The study identifies the preferred investment avenues among the individual investments using self-assessment test. The study is based on primary sources of data which are collected by the distribution of a close ended questionnaire. The data has been analysed using percentage, chi-square test using statistical software.

(Thakkar, 2013) The study is an attempt to know the investment behaviour of individuals with related to investment in shares and also to know the problems faced by them. The study revealed that most of the investors are fully dependent on broker for investment decision.

(Tejinder Singh, 2018) The study discusses the impact of various Government initiatives which has resulted in the growth of modern investment avenues. This research paper is an attempt to study the investor's perception with respect to different possible financial instruments preferred by the people in city of Kara, Punjab (India).

(T.Kiruthika & Dr. S. Balusamy, 2018) The present study is an attempt to study the investor's awareness and behaviour on post office saving schemes in Pollachi Taluk. The primary data was collected purely on random basis from 100 sample respondents. The study found that majority of the investors prefer post office saving schemes for its safety and tax benefits.

CURRENT ISSUES IN INVESTMENT SECTOR

(Dr. Mehul.P.Desai H, 2016)

The Indian mutual fund industry has experienced remarkable growth in recent years. However, the recent events caused by the global financial crisis have negatively impacted the industry's fortunes, leading to a decline in AUM and consequently negative effects on revenue and profitability. Scholars have attempted to discern and accentuate a few of the principal concerns and obstacles encountered by industry players that impede the sector from realizing its full expansion possibilities.

1. Inadequate Awareness of Customers: Getting family savings into mutual funds is hampered most by low client awareness and financial literacy. One reason for the poor mutual fund off take in the retail category is a low knowledge level among retail investors.

2. Restricted Emphasis on boosting Retail Penetration: The Indian mutual fund sector has just lately begun to increase its branch presence in towns after placing little emphasis on growing retail AUM. Mutual fund companies' emphasis on the institutional segment may be attributed to a number of variables, including large ticket sizes, tax arbitrage accessible to corporations investing in money market mutual funds, and easy accessibility to institutional consumers concentrated in Tier 1 cities. Since AMCs have lately begun to concentrate on Tier 2 and Tier 3 towns, developing retail AUM requires a sizable distribution capability and a broad footprint. However, the industry is more susceptible to the prospect of abrupt redemption pressures that affect the performance of the funds due to institutional AUM.

3. Limited client Engagement: Mutual fund distributors have come under scrutiny for their skill, level of client interaction, and value proposition. Since the commissions and incentives had mostly taken the form of upfront fees from product sales (although trail commissions have also been paid in limited instances regardless of the service rendered), neither mutual fund houses nor distributors had shown much interest in continuing to interact with customers after the sale closed. Customers are being misled more often as a result of the low level of participation.

MAJOR DEVELOPMENT IN THE INVESTMENT SECTOR

(Rokade, Dr.Ekta, 2021) Indian mutual fund industry trends in recent times The Indian mutual fund business has grown in recent years due to factors such as encouraging stock market performance, a low inflation rate, and competitive interest rates. 2014 saw a turnaround in the stock market due to a shift in the administration and an increase in public expectations. In the Indian mutual fund sector, there was also a concurrent boom. The Indian mutual fund industry's Assets Under Management (AUM) increased by 22.21% CAGR during the previous five years, from 67 lakhs in FY 2012 to 18 lakhs in FY 2019. This growth was recorded in this year alone. Additionally, in FY 2017, the mutual fund sector in India had an extraordinary 35.17% increase in AUM.

RESEARCH METHADOLOGY

STATEMENT OF THE PROBLEM

Many consumers lack sufficient awareness and understanding of different investment options. This can lead to a number of problems, including:

1) Making uninformed investment decisions: Consumers who are not aware of all of their investment options may make choices that are not in their best interests. For example, they may invest in products that are too risky for their risk tolerance, or they may invest in products that have high fees and low returns.

2) Falling prey to scams and fraudulent investment schemes: Consumers who are not familiar with the different types of scams and fraudulent investment schemes may be more likely to fall victim to them.

Consumers who are not aware of all of their investment options may miss out on opportunities to grow their wealth. For example, they may not be aware of investment options that are appropriate for their long-term financial goals.

The statement of the problem also highlights the importance of consumer awareness and financial literacy. Financially literate consumers are better equipped to make informed investment decisions, avoid scams, and achieve their financial goals.

The project intents to address the problem of low consumer awareness of investment options by assessing the current level of awareness and understanding, and developing strategies for improving consumer awareness and financial literacy.

OBJECTIVES OF STUDY

The **objective** of the study is to-

5. To understand the consumer's perspective on investments.
6. Assess the current level of awareness and understanding that consumers have about different investment options.
7. To identify the most popular and least popular investment avenues among consumers.
8. To develop recommendations for improving financial education and awareness program

Descriptive study has been used in this research in order to achieve its goals. The approach of descriptive study is typically used to outline the features of the population under investigation. The purpose of the descriptive study is primarily to provide a 'what' response rather than 'why' answer. Descriptive research was chosen because it places a strong emphasis on particular types of questions, approaches, and data results. The finest thing about descriptive research is that it may explore both qualitative and quantitative features; therefore, none must be studied separately. As a result, it may include physical characteristics in the study or tables, graphs, and numbers. Typically, anthropologists, psychologists, and social scientists use descriptive research. However, we might claim that this research is a combination of descriptive and pure research because it is both descriptive and pure research. Descriptive research is just utilized to comprehend the subject because the project work is all done directly from the source. However, as the foundation of a descriptive study, my research does incorporate a survey of the literature.

SAMPLE SIZE

The term "sample size" pertains to the quantity of individuals, items, data points, or observations that are selected from a larger population with the intention of conducting a research study or analysis. The sample size for collecting primary data is 100 respondents.

Sample Design:

The survey data is presented in the form of pie-charts and bar-charts. The pie-charts are based on the respondents to the survey. The bar-charts are derived from the probability sampling used to collect the responses.

Data collection method

The data for the study was collected from the primary as well as secondary sources.

Primary Source of Data Collection:

The primary method of data collection involved conducting a survey, which utilized a structured questionnaire meticulously tailored to align with the study's objectives and relevant factors. The questionnaire's design aimed to ensure the comprehensibility of respondents and save their valuable time by implementing a single-format layout. A substantial portion of the questions within the questionnaire were close-ended, facilitating the respondents' ease in selecting from predetermined alternatives.

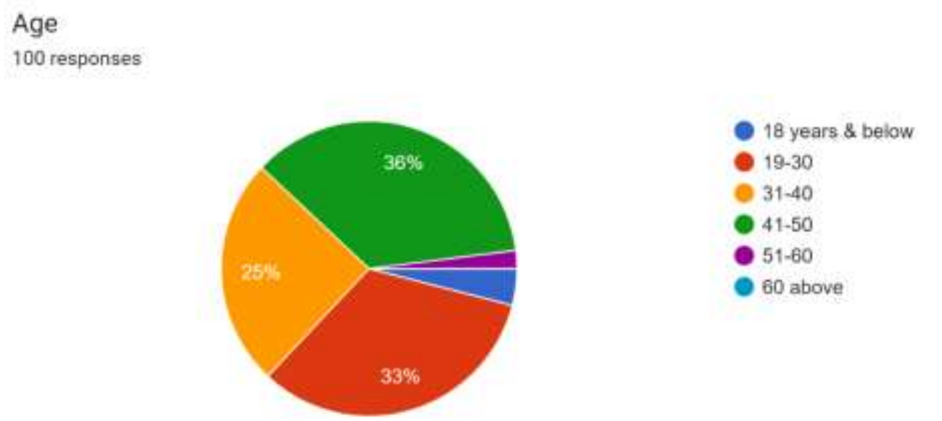
Secondary Data Collection:

The secondary data collection process encompassed the assessment of information previously explored by other researchers, serving as a valuable resource to gain insights and knowledge concerning the research problem at hand. It involved a thorough review of existing data obtained from selected websites and online publications authored by these researchers. This secondary data played a pivotal role in the literature review, enabling an in-depth exploration of prior research, the factors considered, and the conclusions drawn. This enriched our understanding of which areas required further investigation to address our research problem.

DATA ANALYSIS

Data analysis involves examining, purifying, altering, and modelling data with the objective of uncovering valuable insights, guiding conclusions, and facilitating decision-making. This multifaceted practice employs various techniques across different fields, such as business, science, and social sciences, each with its unique methodologies. In contemporary business environment, data analysis contributes to a more scientific decision-making process, enhancing operational efficiency for businesses.

QUES. 1. AGE

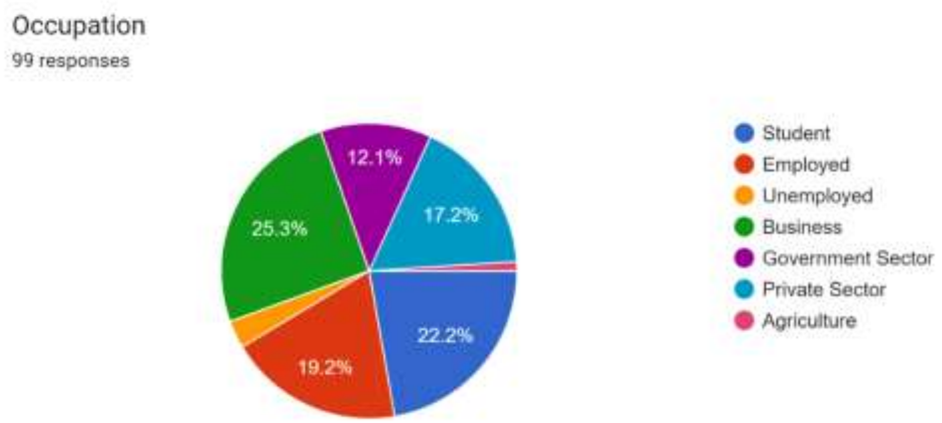


INTERPRETATION: Most of the responders (61%) are under 40 years old, according to the pie chart.36% of respondents fall into the 19–30 age bracket, which makes up the greatest portion of the under-40 age group.

25% belong to the age range of 31-40, which is the second largest section.

While the number of respondents in the 41–50, 51–60, and 60+ age categories is lower at 10%, it is nevertheless evident that these age groups were included in the sample and that the poll was not expressly designed with them in mind.

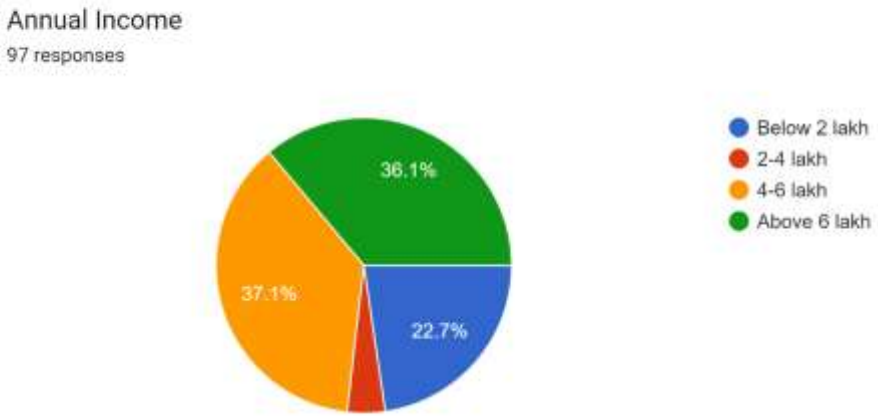
QUES.2. OCCUPATION



INTERPRETATION: The majority of the population, or 25.3%, is employed. This is followed by students (22.2%), business (17.2%), government sector (12.1%), Employed (19.2%), and the unemployed (3.7%).

The findings also suggest that the Indian economy is experiencing strong job growth, particularly in the business and government sectors. The relatively high percentage of employed respondents and the low unemployment rate are positive signs. However, it is important to note that the agricultural sector is still the largest sector of employment in India. This suggests that a large portion of the population is still engaged in low-productivity, low-income jobs. Additionally, the fact that 22.2% of respondents are students suggests that there is a large pool of young people who are entering the workforce each year.

QUES.3. ANNUAL INCOME

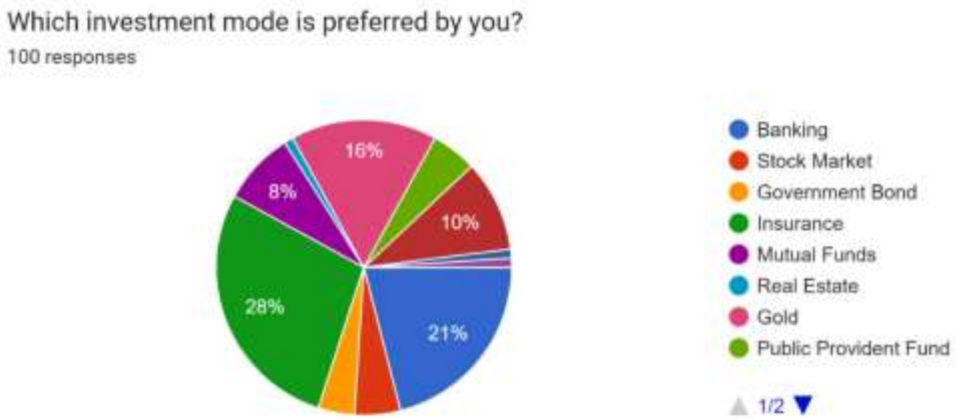


INTERPRETATION: Approximately 73.8% of the respondents, according to the pie chart, earn less than 6 lakh annually. The fact that a sizable segment of the Indian population appears to still be having financial difficulties makes this a noteworthy discovery.

As this falls below the Indian poverty threshold, it is especially alarming that 36.1% of respondents earn less than Rs.2 lakh each year. This implies a sizable population living in poverty and maybe unable to pay for needs like food, housing, and medical care.

Compared to the median income, the top 4.1% of respondents earn much more than 6 lakh per year. This implies that India has an affluent but tiny elite.

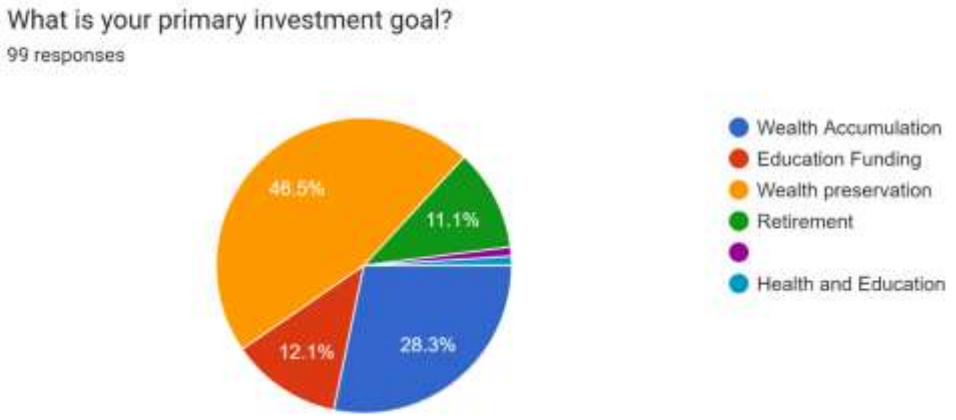
QUES.4. MODE OF INVESTMENT



INTERPRETATION: Banking is the most preferred investment mode, followed by real estate, gold, mutual funds, government bonds, and insurance. Over half of respondents (59%) prefer to invest in traditional assets such as banking, real estate, and gold. Only a minority of respondents (17%) prefer to invest in riskier assets such as mutual funds and stocks.

The results of this study indicate that Indian investors are often risk-averse and have a preference for investments in secure and safe assets. The most popular method of investing is banking as it's seen as a dependable and secure means to generate interest on money kept in storage. Another well-liked investment option is real estate, which is viewed as a physical asset with potential appreciation in value. Due to its reputation as a safe haven asset in difficult economic times, gold is also a popular investment option.

QUES.5. PRIMARY INVESTMENT GOAL

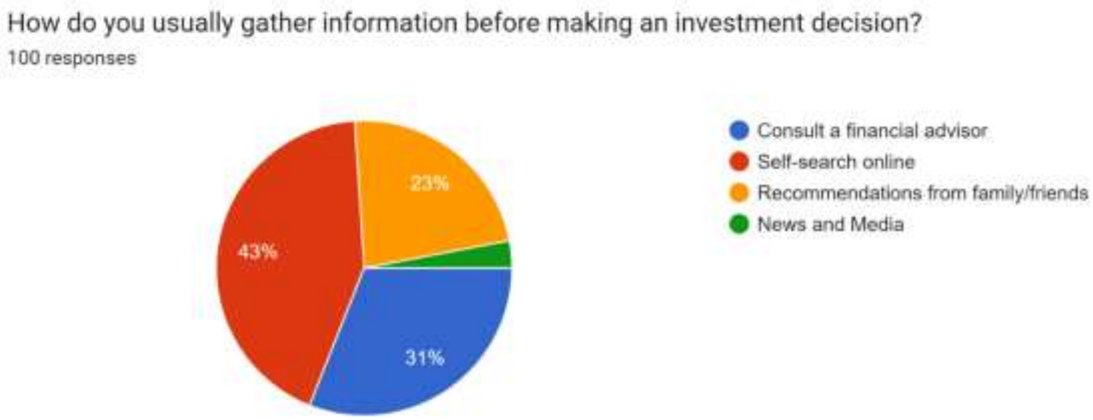


INTERPRETATION: The pie chart shows that wealth preservation is on top majority. (61%). This suggests that most investors are focused on protecting their existing wealth rather than growing it aggressively.

Other investment goals include wealth accumulation (23%), retirement (11%), education funding (5%), and health and education (1%)

The fact that wealth preservation is the majority investment goal suggests that investors are concerned about the risks associated with investing, such as market volatility and inflation. They may also be nearing retirement or have other financial obligations that they need to prioritize. The other investment goals are also important, but they are less likely to be the top priority for most investors. Wealth accumulation is important for long-term financial security, but it can be risky and time-consuming. Retirement planning is essential, but it can be difficult to know how much to save and invest. Education funding is important for children and grandchildren, but it can be expensive. Health and education are also important, but they may not be a major financial concern for everyone.

QUES.6.

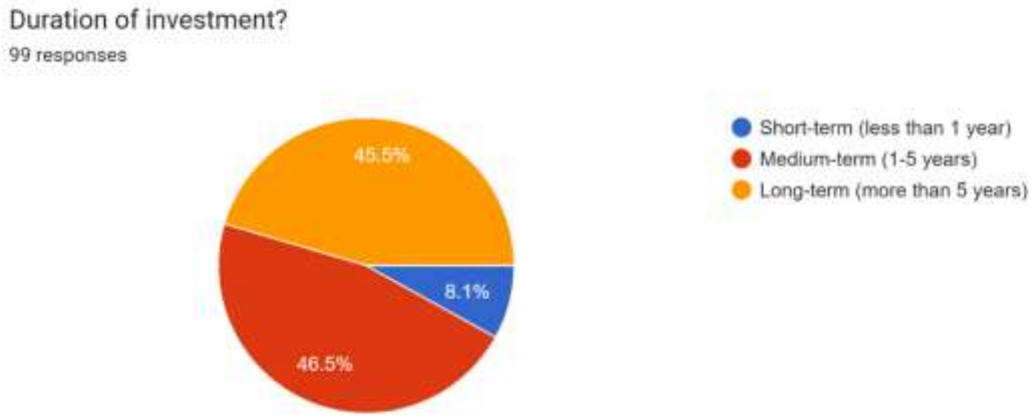


INTERPRETATION: The pie chart shows that the majority of investors (43%) use self-search online to gather information before making investment decisions. This is followed by consultations with financial advisors (23%), recommendations from family and friends (31%), and news and media (3%).

Self-searching is the most common way to obtain information. It implies that investors are getting more and more capable of managing their own financial planning. Additionally, it represents the expanding pool of excellent internet financial data. It also emphasizes how critical thinking abilities and digital literacy are crucial for contemporary investors.

There are risks associated with self-searching. Investors should be mindful of the risks of confirmation bias, lack of experience, and information overload, as was previously discussed. Prioritizing reliable sources of information, exercising caution when evaluating what they learn, and thinking about speaking with a financial advisor are all steps investors may take to reduce these risks.

QUES.7. DURATION OF INVESTMENT



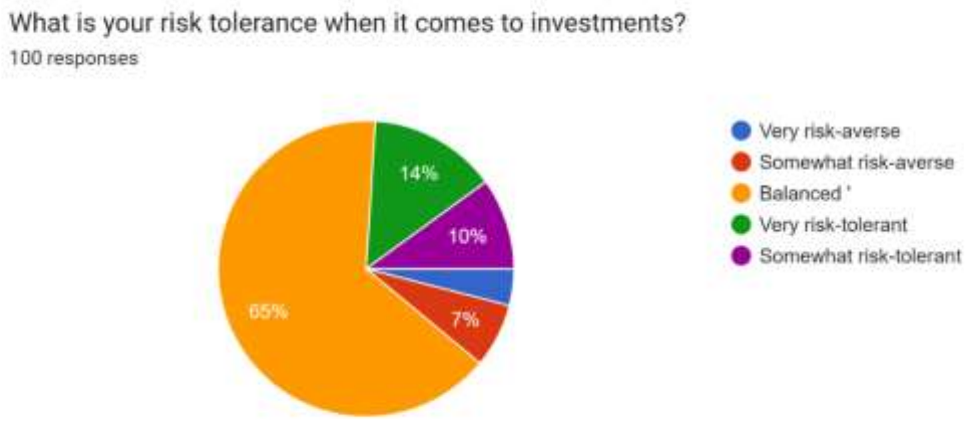
INTERPRETATION: This chart shows suggests that most investors are focused on investing for a period of 1-5 years (46.5%).

Other investment durations include long term (more than 5 years) (45.5%) and short term (less than 1 year) (8.1%).

It appears that investors are seeking a balance between risk and return because the bulk of investments have a medium term duration. They don't want to tie up their money for a lengthy time, but they are also ready to accept some risk in the hopes of earning larger returns.

Although they are equally common, most investors are not likely to prioritize the other investment periods. Although long-term investing has the highest level of risk, it is crucial for gradually increasing wealth. Short-term investments carry less risk, but they give smaller profits.

QUES.8. RISK TOLERANCE



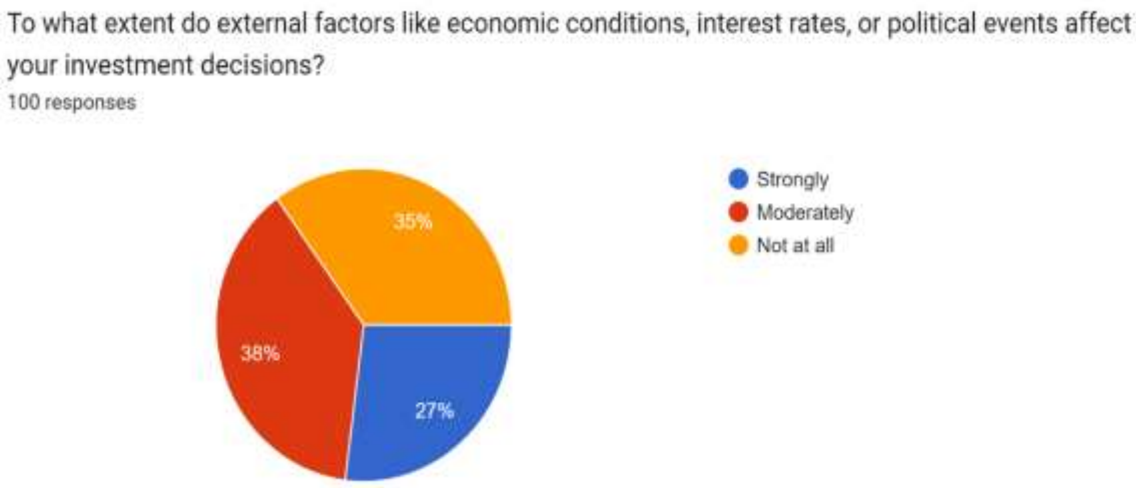
INTERPRETATION:

The pie chart shows that the majority of respondents (65%) have a balanced risk tolerance when it comes to investments. This means that they are willing to take some risk in order to achieve higher returns, but they are also mindful of the potential for losses. The remaining 35% of respondents are either more or less risk-averse than the majority.

The majority of investors (65%) have a balanced risk tolerance, which means they are aware of the possibility of losing money but are also prepared to accept some risk in order to earn larger returns.

More risk-averse investors can decide to put their money into lower-yielding but less risky products like CDs and bonds. More risk-tolerant investors could decide to put their money into riskier assets like stocks and real estate, which have a larger potential for return but also a higher risk.

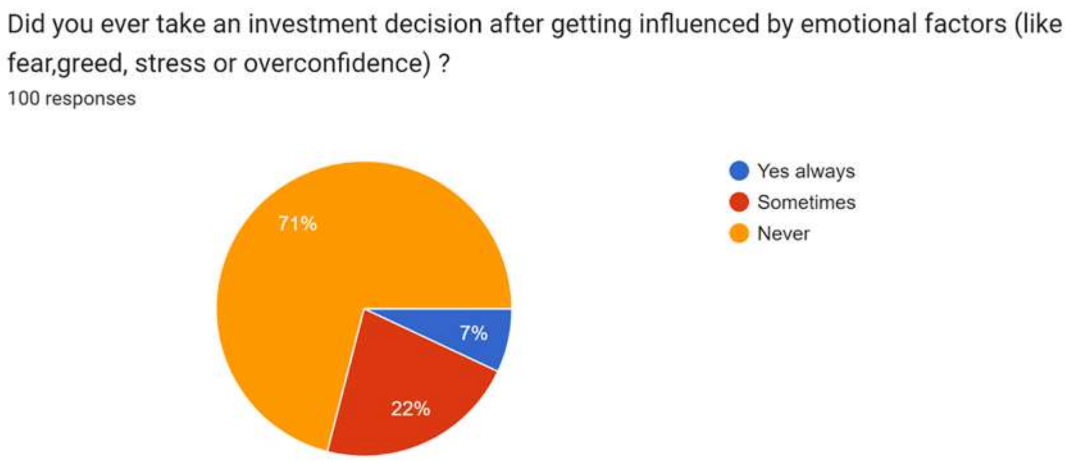
QUES.9.



INTERPRETATION: This suggests that the majority of respondents (73%) believe that external factors do affect their investment decisions, to some degree. Only a minority of respondents (27%) believe that external factors do not affect their investment decisions at all.

The results of this study indicate that most investors are aware of how outside events affect their assets. But different investors take different amounts of outside influences into account when choosing investments When making investing selections, other investors could give greater weight to internal considerations like their risk tolerance and investment aspirations. This is so because internal variables can affect an investor's long-term success more and are more within their control.

QUES.10.



INTERPRETATION: 71% of participants said they have never made an investing choice based on emotional considerations. This indicates that the majority of investors are capable of making sane investing decisions, which is encouraging.

• 22% made an investing choice after being swayed by feelings. Given the size of this minority, investors may want to consider the possibility that their judgment may be tainted by emotional bias.

• Emotional bias can lead to poor investment decisions. For example, fear can lead investors to sell investments at a loss, while greed can lead them to buy investments at a high price.

• Investors can mitigate emotional bias by developing a sound investment plan and sticking to it. Investors should also avoid making investment decisions when they are feeling strong emotions, such as fear, greed, or stress.

CONCLUSION

The primary objective of this research initiative is to gain insight into customer preferences and choices spanning a diverse array of investment industries. The study aims to identify the variables that influence investors' risk tolerance, time horizons for investments, and desired returns. Employing a multifaceted approach, the project utilizes various research techniques, including surveys, experiments, in-depth interviews, and data analytics. A key focus is placed on understanding the psychological biases that influence consumer choices through the lens of behavioural economics. The investigation delves into the influence of culture on investment preferences by comparing investors from different backgrounds.

To enhance the capabilities of investors, the initiative supports educational programs, seminars on behavioural finance, personalized financial guidance, a focus on long-term investing, diversification methods, and advocacy for consumer protection. The encouragement of risk assessment tools, market research, and educational initiatives spanning diverse investment sectors is promoted. The emphasis on transparency and disclosure is robustly endorsed to guarantee that clients can access vital information prior to making investment choices.