



ANALYSIS OF INVESTOR PERCEPTIONS ON FINANCIAL INSTRUMENTS

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ABSTRACT :

This study investigates how investors view and feel about a range of financial products, such as stocks, bonds, mutual funds, and alternative investments. In order to create strategies that meet market expectations, financial institutions, legislators, and consultants must have a thorough understanding of investor behavior. Both primary data from surveys and secondary data from financial reports and earlier research serve as the foundation for the analysis. Examined are important determinants of investor decisions, including risk tolerance, return expectations, market expertise, and demographic characteristics. The study intends to find trends in investing behavior, assess how socioeconomic characteristics affect investment choices, and provide light on how investor knowledge and education affect how financial products are perceived.

KEY WORDS: Investment practices, Tolerance for risk, Expectations for returns, Mutual funds, Bonds and stocks, Alternative forms of investing.

INTRODUCTION

Financial decision-making is heavily influenced by investor perceptions, which also affect the selection of financial products including stocks, bonds, mutual funds, and alternative investments. These decisions are influenced by personal characteristics including risk tolerance, financial literacy, and market understanding in addition to financial returns and hazards. Financial institutions, advisors, and legislators can create better strategies and products by having a greater understanding of how investors perceive and choose these instruments. This study aims to analyze the key factors shaping investor perceptions and their impact on investment behavior.

OBJECTIVES OF THE STUDY

1. To study the various financial opportunities available for investment.
2. To study about the investors view regarding various investment opportunities available in the market.
3. To find out how investors get information about the various financial instruments.
4. To examine the investors changing behaviour regarding various investment opportunities.
5. To understand the types of financial instruments, prefer by the investors for their investments.

HYPOTHESES OF THE STUDY

One essential step in the research process is the creation of hypotheses. By providing assertions that can be verified by gathering and analyzing evidence, hypotheses direct the study. Hypotheses are constructed to comprehend the different elements impacting investor behavior, choices, and decision-making processes in the context of this study, which focuses on the investigation of investor perspectives on financial instruments. The purpose of these hypotheses is to examine the connections between investor views and economic, psychological, informational, and demographic factors.

Risk appetite, return expectations, financial literacy, the impact of financial advisors, and socio-demographic traits are just a few of the many variables that affect investor opinion. The following hypotheses aim to investigate whether these factors significantly influence investors' perceptions and selections of financial

Hypothesis 1: Perception of Risk and Preference for Investments

A key idea in financial decisions is risk. Different kinds of financial products are typically preferred by investors with varying risk tolerances. Some people could be more interested in stocks or alternative investments, while others would favor low-risk, fixed-income assets like bonds or savings accounts.

Null Hypothesis: An investor's choice for particular financial products and their sense of risk do not significantly correlate.

Alternative Hypothesis: An investor's choice for particular financial products and their perception of risk are significantly correlated.

Hypothesis 2: Investment Decisions and Demographic Factors

It is thought that an investor's financial behavior is influenced by demographic factors such as age, gender, income level, education, and occupation. These factors could affect people's perceptions of the overall worth, safety, and returns of different financial products.

Null Hypothesis: Investor perceptions of financial instruments are not significantly influenced by demographic parameters such as age, income, or education.

Alternative Hypothesis: Investor perceptions of financial instruments are greatly influenced by demographic characteristics, including age, income, and education.

Hypothesis 3: Knowledge and Application of Financial Instruments

Adoption and use of financial tools are significantly influenced by awareness. An investor is more likely to use a financial product successfully if they are aware of its features, advantages, and hazards.

Hypothesis Null: Investors' use of financial instruments is not much impacted by their level of awareness.

Alternative Hypothesis: Investors' use of financial instruments is strongly influenced by their degree of awareness.

LITERATURE REVIEW

Investor perception has been a major subject of financial research since it significantly affects how investors act while making investments. The manner in which factors including risk tolerance, return expectations, financial literacy, and demographic characteristics impact investor decisions have been the subject of several studies.

After classifying investors based on their lifestyles, Rajarajan (2000) concluded that demographic factors including age, income, and education have a significant impact on investing preferences.

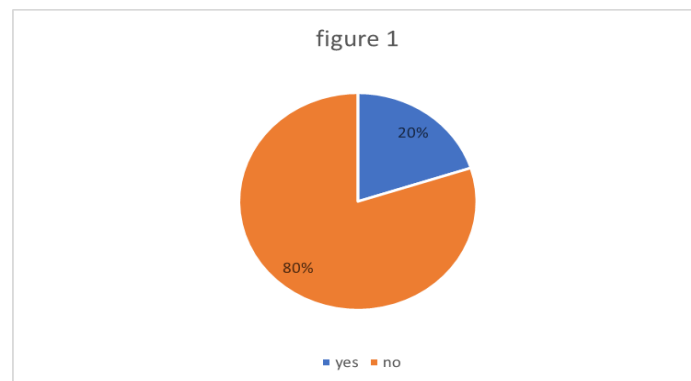
According to Mittal and Vyas (2008), investors commonly rely on suggestions from peers, the media, and financial advisors. However, their ideas may not always be supported by thorough or trustworthy facts.

Research Methodology

Part of the study's quantitative research approach is employing standardized questionnaires to poll a sample of 200–250 individual investors with different ages, incomes, and educational levels. Secondary data came from websites, government papers, and financial magazines.

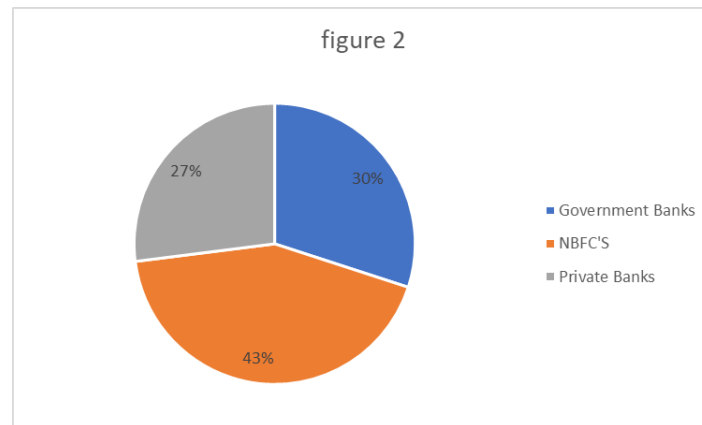
DATA ANALYSIS AND INTERPRETATION

You already plan for investment in any financial instrument ?



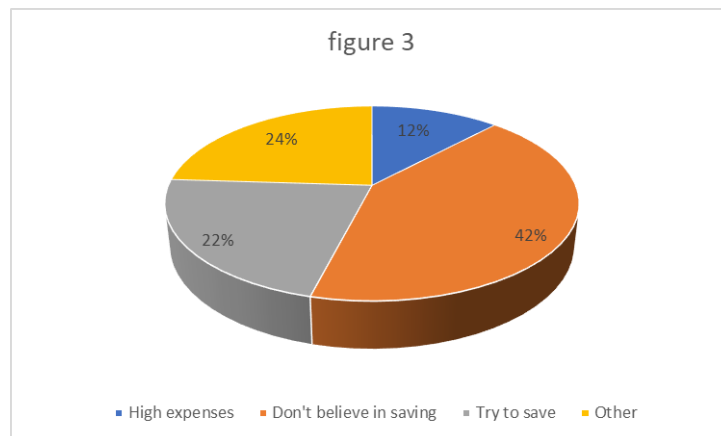
Interpretation: According to Figure 1, 80% of investors plan or have their investment portfolios designed with the goal of making safe investments and earning decent returns; they frequently choose NBFCs for professional advice. The remaining 20% do not explicitly plan; instead, they focus on future security by employing choices like insurance and PPF and follow trends or peer recommendations.

Which sector you prefer the most for investment ?



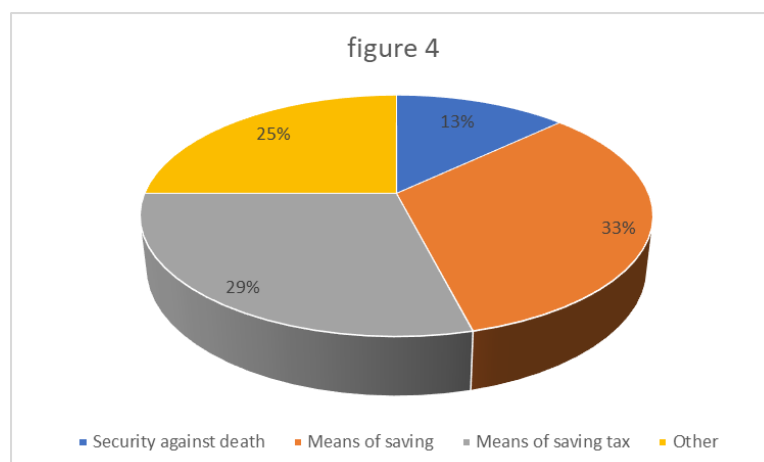
Interpretation : According to Figure 2, 43% of respondents said they prefer to invest through NBFCs because of their in-depth market expertise and expert advise. The remaining 57% value dependability and the connections made through financial services, thus they select either private or public banks.

3. What is your practice on saving money ?



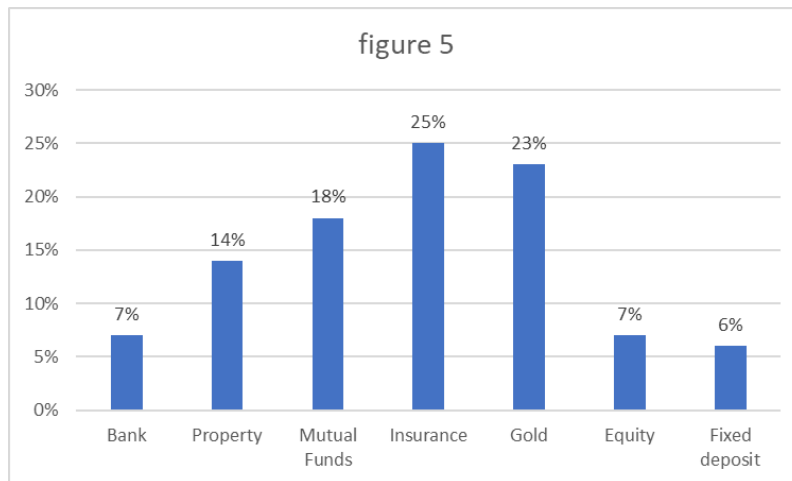
Interpretation: According to Figure 3, Just 36% of respondents said they regularly save money from their salary, and 22% said they occasionally try to do so. Significantly, 42% do not place a high priority on saving, underscoring the need for more financial literacy. However, women exhibit a greater propensity to save money from their income.

4. What is the purpose for buying insurance policy ?



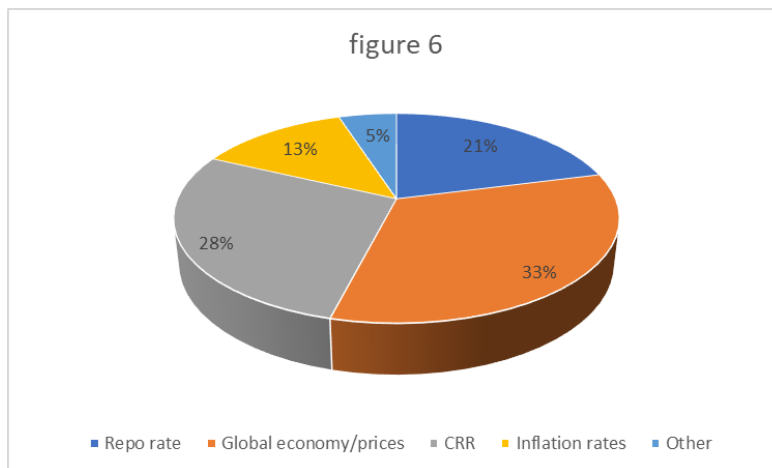
Interpretation: According to Figure 4, 29% of investors buy insurance to reduce taxes and see it as a long-term investment with strong returns upon maturity, whereas 13% of investors do so primarily for the financial stability of their families.

What do you feel is considered to be the 'fundamentally safe' form of investment



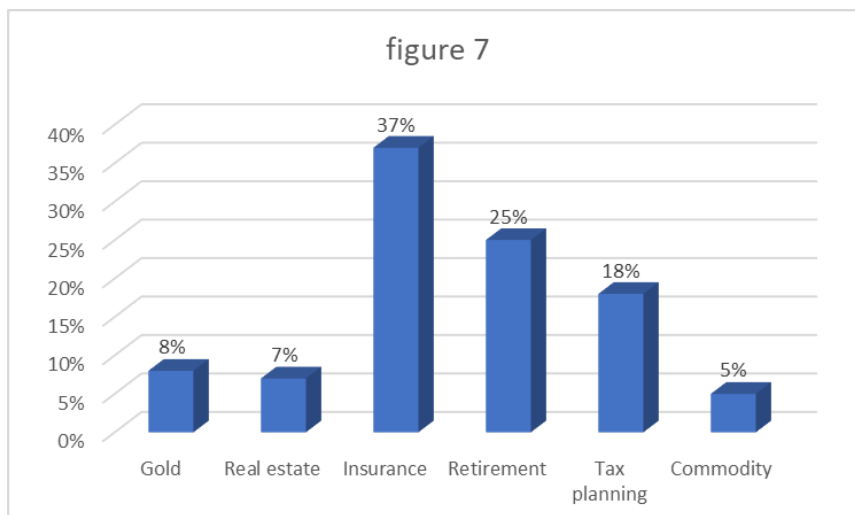
Interpretation : According to Figure 5, 14% of respondents believe that real estate is the safest investment, with insurance coming in second. Real estate is still a popular choice even with growing property values. Because they guarantee returns, 7% of people think bank accounts are safe.

6. Which factors do you considered the most at the time of investment?



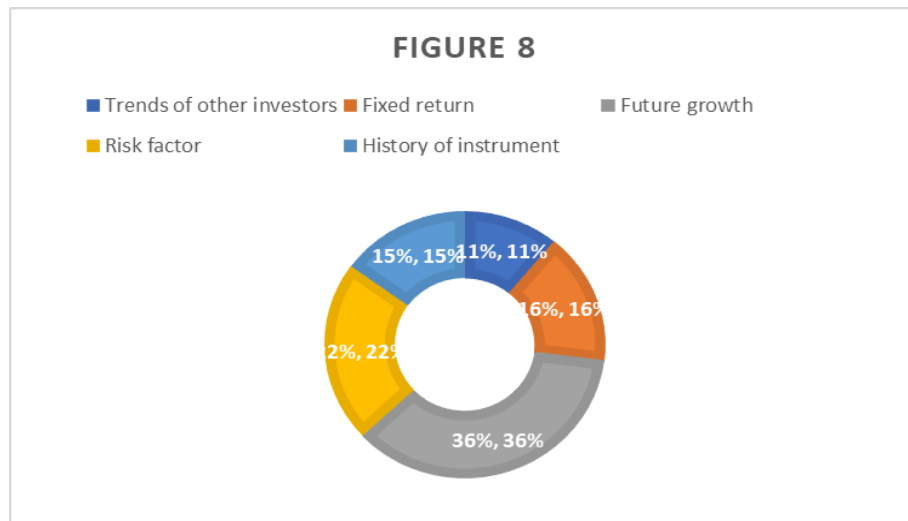
Interpretation: According to Figure 6, demonstrates that while making investment decisions, 33% of respondents take the global economy, 28% CRR, and 13% inflation into account. These elements affect their decision since global trends affect investment returns and inflation devalues money.

7. What all areas should be a part of financial planning?



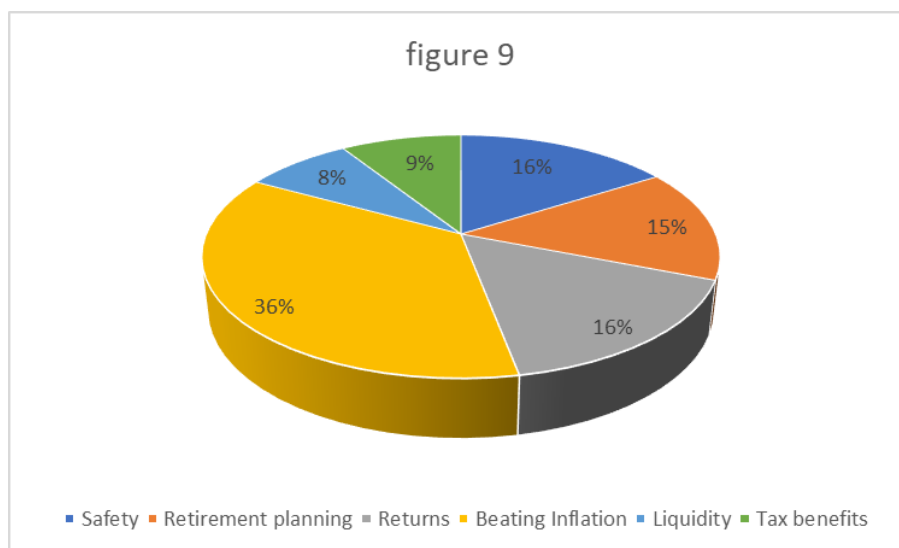
Interpretation : According to Figure 7 reveals that 25% of respondents think retirement planning and financial planning should be done separately, suggesting that they are not fully aware of the differences between the two. Due to market expansion, 37% of respondents want commodities included, and 14% believe age should be taken into account when deciding whether to make plans.

If independently, then what do you see while investing?

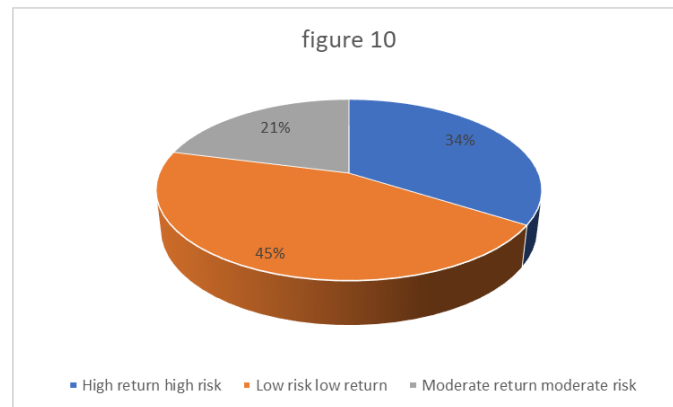


Interpretation :- According to figure 8, shows that before making an investment, the majority of investors take past success and projected growth into account. While 27% steer clear of market volatility by selecting fixed deposits, insurance, PPF, and gold for steady returns, 22% consider risk and choose safer solutions.

What is your objective behind investments?



Interpretation: According to the figure 9, 16% of investors place a higher priority on capital growth, while another 16% view capital safety as a secondary objective. Just 8% of respondents think liquidity is a priority, making it the least significant factor. This implies that portfolios should prioritize safety and growth in order to better meet the financial objectives of each individual.

Which Tendency do you prefer the most?

Interpretation: According to figure 10, 34% of individuals like the high risk, high return inclination because they think that if we don't take risks, we won't be able to make or receive more money. Business people and military with incomes over 10 lac likely to favor that inclination. Those with incomes between 5 and 10 lac typically chose low-risk or moderate-risk investments in gold, mutual funds, and insurance. The inclination is also influenced by age; people between the ages of 18 and 30 favor taking chances, while those over 45 prefer low risk, poor return.

CONCLUSION

The survey comes to the conclusion that the main goals of investors from a variety of backgrounds, including pensioners, self-employed people, government employees, and private sector workers, are capital expansion and short- and long-term returns. Due to market volatility, most people would rather put extra money into safer investments rather than high-risk ones, especially in gold and stocks. Age and income levels have a big impact on investment preferences, but the main driver is capital appreciation. Since many investors make their own financial decisions, financial advisors are necessary to help them optimize savings and build stronger portfolios. Growth and safety are more important than liquidity. All things considered, mutual funds are thought to be the best choice for investors with longer time horizons than two years.

LIMITATION AND RECOMMENDATION

The study's sample size was restricted to 200–250 respondents, which might not accurately reflect the opinions of all investors.

- 1.Geographical Limitation:** The results may not be as broadly applicable at the national level because the survey may have been restricted to a certain area or city.
- 2.Self-Reported Data:** Self-reporting is the basis for data gathered via surveys, and it may contain biases, errors, or overstated answers.
- 3.Time Restrictions:** Comprehensive qualitative analysis and long-term monitoring of investor behavior were not carried out due to time constraints.
- 4.Limited Financial Instruments Considered:** The study may have missed out on new or niche investment opportunities like cryptographers or ESG funds because it concentrated on popular instruments like mutual funds, insurance, and gold.
- 5.Greater Sampling:** To obtain more thorough insights, increase the sample size and broaden the geographic scope.
- 6.Boost Financial Awareness:** Start focused public education campaigns about financial planning, with a particular emphasis on risk management, retirement, and savings.
- 7.Technology Use:** Encourage the use of digital tools and robo-advisors for improved portfolio management, particularly among younger investors.
- 8.Customized Financial Products:** To accommodate varying age groups and income levels, financial institutions should provide products that are specific to their objectives and risk tolerance.
- 9.Encourage Mutual Fund Investment:** Since mutual funds offer competent management and diverse exposure, encourage long-term investment in them.
- 10.Investor assistance Platforms:** Establish online resources or specialized assistance channels to assist novice investors in making wise choices.

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