

***A STUDY ON INDIAN HABITS OF INVESTMENT OF  
THE MIDDLE-CLASS INCOME GROUP***

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**Abstract**

This research studies the investment patterns of Indians from the middle-class income group. Individual financial growth is crucial and middle-class income groups often aren't able to expand beyond certain levels, due to many factors. Key factors among them are – (i) Aversion to exploration of alternative options, (ii) Inadequate levels of financial literacy levels & (iii) Needless high expenditure on non-essential things.

**Keywords**

Financial literacy, Middle Income Groups, Investment avenues

### **Introduction**

In today's growing economies India still faces a huge problem of poor to moderate standard of living of middle-class income groups. People from this income group face numerous difficulties and tend to make poor financial decisions. This does not allow them to break the vicious circle of semi-poverty.

This research tries to find out how do middle-class income groups channelize their savings. Questions such as - Are they able to get good benefits from it? What are the motives to prefer conventional investment tools over other options? are answered through this research.

### **Objectives**

- To learn investing habits of the middle/lower class income group
- To study investing patterns of the middle/lower class income group
- To learn what drives the investment of the middle/lower class income group
- To study the extent of investor education amongst the middle/lower income group

### **Literary references**

- (i) INCOME SAVING AND INVESTMENT BEHAVIOUR IN INDIA - A PROFILE
- (ii) The Simple Dollar: How one man wiped his debts and achieved the life of his dreams by **Trent A. Hamm**
- (iii) Living well, Spending Less!: 12 secrets of a good life by **Ruth Soukup**
- (iv) How to manage your money when you don't have any (Second Edition) by **Erik Wecks**
- (v) The Dhandho Investor: The low-risk value method to high returns by **Mohnish Pabrai**

### **Scope of the research**

In order to keep the research focused and objective oriented, we have confined our study & survey to a sample town only instead of the entire country.

### **Methodology**

A sample size of 30 is taken for the purpose of collecting primary data. The sampling technique used is Simple random sampling and quota sampling as a particular group of people are selected from a strata.

The respondents were required to answer the questionnaire from the choices given to them. Although some answers require extra clarification as mentioned in the questionnaire. The respondents were mostly people between the age of 30-65 from Mumbai.

Exploratory study was done in order to study the saving and investment habits of the group of respondents with respect to the income earned by them.

The secondary data for additional information was collected through numerous sources such as books, magazines, research papers and newspaper articles and internet.

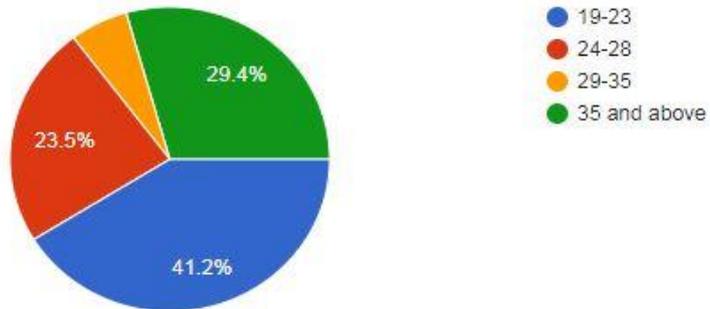
### **Limitation**

The major limitation faced by us while conducting this research was the reluctant attitude of respondents while disclosing information which they considered as confidential / sensitive.

### **Findings**

- 1.) It was found that the most of respondents of the questionnaire were between the age group of 19-23, which is around 41.2% of the total respondents.

34 responses



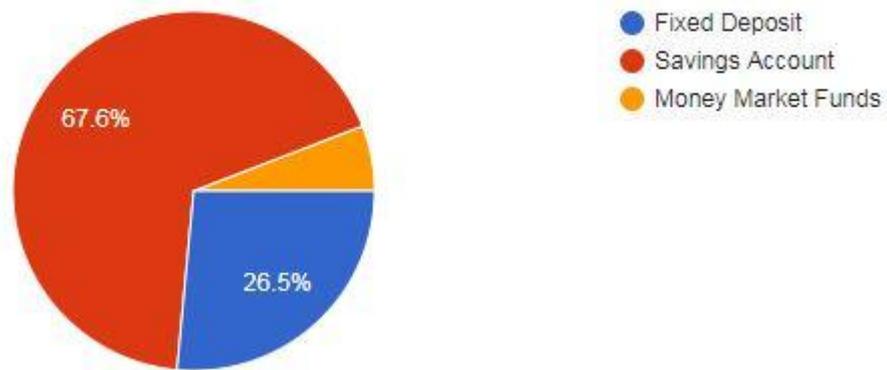
2.) The entire population of the respondents are salaried.

34 responses



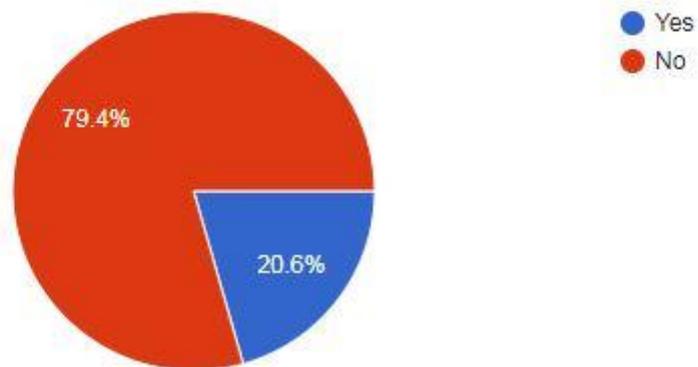
3.) A higher no. of respondents preferred saving their income in a savings account and a quarter of saved it through depositing it in a fixed deposit.

34 responses



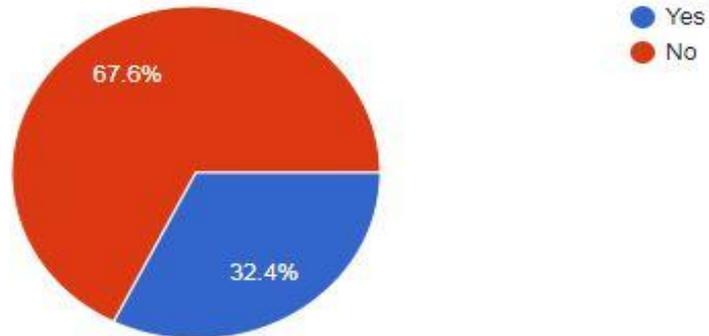
4.) It was also observed that approx. 80% of the respondents did not have a Demat account.

34 responses



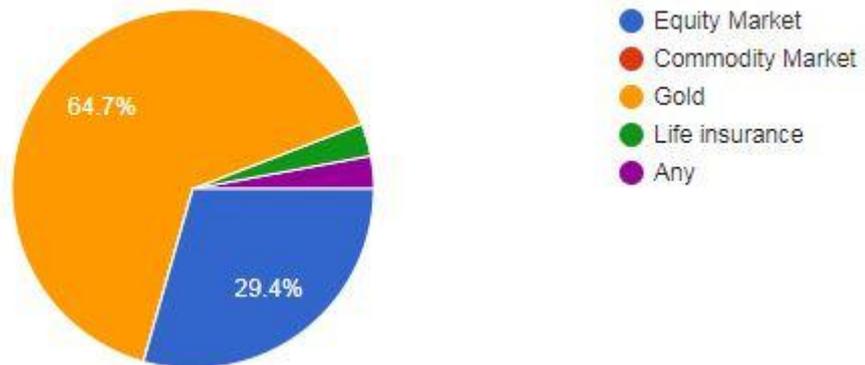
Only around 32% people traded in securities whilst the rest preferred a more conservative approach

34 responses



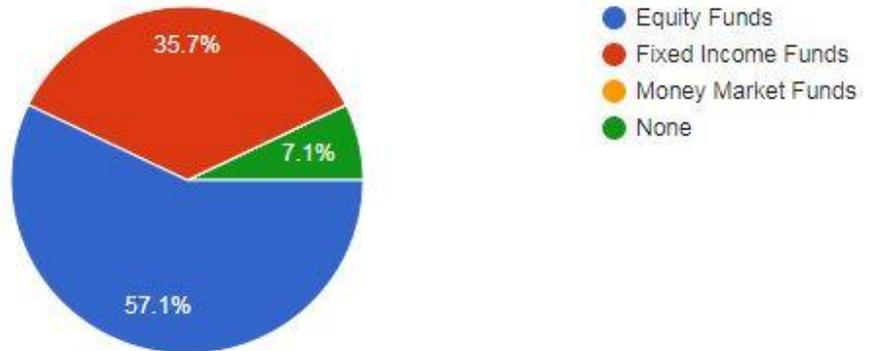
Conservative means of channeling savings were mostly inclined towards gold as a tool for investment rounding up to 60% of the peoples preferred investment avenue.

34 responses

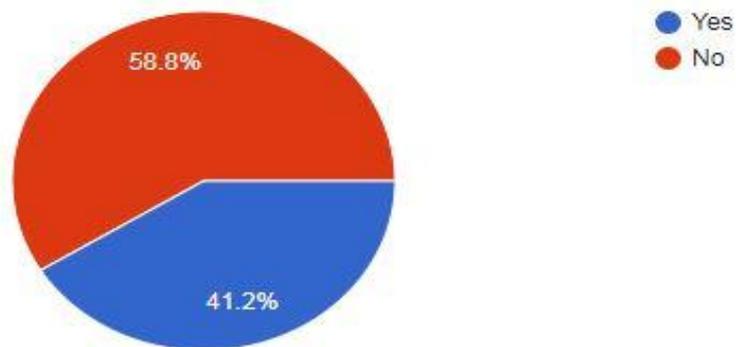


5.) It was observed that more than 41.2% of the respondents invest in mutual funds, which is a popular form of investment from the past few decades. A higher Preference was given to equity mutual funds by the respondents.

14 responses



34 responses



**Other Findings:**

- Respondents were more inclined towards insurance policies as a form of investment having a whopping 62% of various kinds of policy instruments.
- Bank deposits were also seen as a preferred avenue for saving, followed by stock markets and gold respectively
- Respondents were mostly motivated with the intention to save on a long term basis and less than 25% of them aimed at short term savings.
- The choice of investment preferences by the respondents was primarily driven by following key elements – a) Safety, b) Higher returns & c) Additional benefits
- Respondents appear to earn better in the share market with an average annual profit of Rs.50000. although some did suffer significant losses due to poor market perception or unforeseen and unexpected market crashes.
- The main motive for respondents to invest in some form or other assets was to meet future higher education expenses of their children
- About 70% people do not receive any kind of non-monetary benefits, which again adds up to their expenses

**Conclusion**

From this extensive research it can be said that most of the people still seem less attracted towards exploring various other forms of investment opportunities even though they provide higher returns, The traditional form of investments such as FD and gold are still favorites of investors at least for the middle income groups (MIG). This is primarily because FD are viewed as a secure method of investment even with the downside of having a really low rate of interest earned. This clearly demonstrates the mistrust and or lack of awareness about other various options and opportunities of investments available.

Another conclusion that can be drawn from this research is the fact that people tend to have poor saving habits and ever-increasing cost of living. This not only prevents them from gaining financially but also often put them in debt grip. Lack of employment opportunities also add up to the hardships.

### **Suggestions and recommendations**

We feel that people are not able to explore the various alternate forms of investments available to them, most likely due to poor financial literacy and rash and impulsive decisions making due to unsolicited and often unwise advice given by people around them. People fear to experiment with something new. This not only restricted to investments but to anything in general, Indians have a habit to look at changes negatively at the first glance which unfortunately shatters the optimistic potentiality of the subject matter brought forward.

Applying this logic to the numerous forms of investment avenues made available, it is reasonable to say that people distrust them even when having proper knowledge about them, they seem to reluctant and unenthusiastic regarding the markets.

If this attitude among the Indian investors from the MIG changes, it is very likely that we will be able to see substantial growth in the market and a higher standard of living which would further lead to economic welfare for all Indians in general.

### **Appendix: - Questionnaire utilized for the Research**

- What is your name?
- What is your age?
- Are you salaried or a businessman?
- What is your annual income?
- Do you get any non-monetary benefits?
- Do you have a bank account?
  - a) yes
  - b) no
- How do you deposit your savings?
  - a) Fixed Deposit
  - b) Savings Account
  - c) Money Market Funds
  - d) Others
- Do you have a Demat account?

- a) yes
- b) no
- Do you trade in securities?
  - a) yes
  - b) no
- In what type of securities do you invest?
  - a) Equity Market
  - b) Commodity Market
  - c) Gold
  - d) Other
- What is the maximum profit you have earned and the maximum loss you have suffered while trading in securities?
- Have you heard of mutual fund?
  - a) Yes
  - b) No
- In what kind of Mutual fund do you invest in?
  - a) Equity Funds
  - b) Fixed Income Funds
  - c) Money Market Funds
  - d) Others
- Do you have any insurance cover?
  - a) Yes
  - b) No
- What is your most preferred way of channelizing your funds?
  - a) Stock Market
  - b) Bank Deposits
  - c) Gold
  - d) Real Estate
- Why do feel that your choice from the above question is the best form of investment?
  - a) Safety
  - b) Higher Returns

c) Additional Benefits

d) All of the above

- Do you invest in short term or long-term securities?
- With what motive do you invest into the market?

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