

## INVESTMENT OBJECTIVES OF MIDDLE-INCOME GROUP INVESTORS: A COMPARISON OF NORTH AND SOUTH INDIA

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### Abstract

Investment is the action or process of investing because it may be beneficial or useful in the future, or it is the act of putting money or capital into an organisation in order to reap annual yield or capital appreciation, thereby, ensuring financial security. In this regard, the present study is conducted to identify the most sought off investment objectives of middle-income group investors in India. A comparison has also been drawn between Middle Income Group investors of north and south India.

**Keywords:** Investment, annual yield, capital appreciation, investment objectives, Middle Income Group investors.

### 1. Introduction

More than half of India's population is represented by the Middle MIG group. They are more likely to invest in order to protect their retirement plan and the future of their children and grandchildren. People who earn between Rs.90,000 and Rs.10,00,000 per year are considered to be "middle class," according to a Market Information Survey conducted by the National Council of Applied Economic Research in partnership with the business newspaper Business Standard. Instead of having your money locked away in your cabinets or bank accounts, you can invest it in a place where you will earn a higher rate of return than you did with your first investment. For lack of a better definition, investment is the use of funds (money) for a period of time in order to increase the investor's wealth. In exchange for today's sacrifice, there is the hope of gaining something more in the near future. While some people prefer actual investments (physical assets such as machinery, a plot of land, a house, and so on), others prefer financial investments (such as stocks, bonds, and mutual funds) (stocks, bonds, etc.) People in India are risk apprehensive and guided by a variety of other variables, which results in money being frozen in savings accounts. Individuals are already influenced by demographic and psychographic characteristics (Kalra, 2013), while on the other hand, a lack of information and awareness does the rest of the heavy lifting for them. Finally, people are either unaware of or unwilling to learn about the various investing opportunities available to them. It is necessary to raise awareness of the many investment opportunities among middle- and lower-income groups. Fixed Income Investments, such as fixed deposits (FDs), preference shares, bonds, and other similar instruments, and Variable Income Investments, such as owning a business or property, are the two most common types of investments. Aside from that, investments can be classified as either short-term or long-term depending on the duration of the investment. It has been defined as follows by The Compact Oxford English Dictionary: Investment is the action or process of investing because it may be beneficial or useful in the future, or it is the act of putting money or capital into an organisation in order to reap financial rewards in the future. In this regard, the present study is conducted to identify the most sought off objectives of middle-income group investors while going for investment. A comparison has also been drawn between MIGs of north and south India.

#### 1.1 Theoretical Background

Investing in India is popular since it allows you to save money on taxes. People in their forties and fifties take more chances than those in their twenties and thirties. Investing in the stock market is mostly for financial gain (Kiran Mehta & Renuka Sharma,2015). According to certain study, investors favour bank deposits. Chaturvedi and colleagues Indians save for long-term goals such as education, emergencies, and retirement. Banks, post office accounts, and other liquid assets were favoured by respondents (NCAER,2008). Investors search for safety and liquidity when selecting an asset (NCAER,2000). Portfolios containing more than five companies were chosen by Indian investors (Lal,1992). Primary market purchases were preferred by investors over secondary market acquisitions. The ownership of stock has shifted from the wealthy to the middle class. Furthermore, the information provided by the firms and stockbrokers was unsatisfactory to shareholders (Gupta, 1991).

### **1.2 India and Its Investment Scenario**

Indeed, India is a country rich in both natural and people resources. Population: 1.210 million (census 2011), literacy rate: 74.0 percent, household population: 240 million (CAGR, FY 08-13), GDP growth rate: 7.2 percent India, with its vast population and economic foundation, will soon be among the world's developed economies. However, with power comes weakness, which must be addressed as soon as possible. When it comes to investing, the country's main problem is a lack of knowledge and understanding. South Asia (SA) increased at the fastest rate in three years in 2014, at 6.9 percent. India, the largest economy in South Asia, recovered in 2015. Monetary and domestic policies, such as establishing minimum grain procurement prices, raise real household disposable income, which boosts gross domestic saving and investment. India hopes to achieve 8% in 2017-18, up from 7% in 2015-16. Private investment will be indirectly encouraged through public-private partnerships, real estate growth, and market reform. The banking system in India is solid, both institutionally and regulatorily. In India, there are two types of investors: individual/retail investors and institutional investors. According to Martin (2005), there are two types of investors: self-directed and charitable. Other investors include investment businesses, mutual funds, insurance companies, and pension funds (2005).

The investment climate in India has evolved throughout the years and continues to do so. Since independence, the Indian economy has been characterised by expanding family savings. This increase is the result of increased savings as a percentage of GDP. Household financial savings have been considerably supported by village banks and post office savings. Savings as a share of GDP climbed from 13.8 percent in 2004-05 to 18.3 percent in 2006-07. In less than a decade, gross domestic savings and investment had risen from 9.6 percent and 10.8 percent of GDP in the 1950s to close to 35 and 36 percent in 2006-2007. The Indian MIG population is estimated to surpass 267 million in FY16 (NCAER), representing a 67 percent increase from 2011-16. This will be a fantastic opportunity for the Indian financial and retail sectors. Because of the current demographic shift, India's middle class will thrive. According to NCAER, the poor MIG population will fall from 56% in FY11 to 43% in FY16.

### **1.3 Investor and Investor's Behaviour in India**

It's difficult to comprehend the amateur or professional investor. It's still unclear why they invest, disinvest, or stay away. It's still unclear what they look at while investing. Their portfolio choices are unknown. Regardless, we must go on. There are various factors that influence an investor's investment decision. Ideas, wants, perceptions, emotions, etc. were all linked to constrained rationality. Personality traits such as loss aversion, regret aversion, selective perception (seeing just what one wants to see) affect investors. Assumptions: a) All investors are rational and risk-averse, b) Can lend and borrow limitless amounts at risk-free rates of interest, c) Can trade without transaction

or tax expenses, d) Can be broadly varied over a variety of investments and e) Can be price takers, i.e., cannot stimulate prices.

#### 1.4 Investment Environment

Investors, investment channels or vehicles, and the financial market where they meet and interact comprise the investment environment. These three aid the nation's developments by effectively mobilising financial resources. Investments can only be made after money has been saved, and not everyone who saves invests. An investor is critical to the success of any economy. Individuals or institutions that save are known as savers, while individuals or institutions that spend are known as spenders. Governments and companies are in deficit, but people are in surplus. In India, individual/retail household saving is low. Household net financial savings were 10.9 percent of GDP (at current market prices) in 2008-09, down from 11.5 percent the previous year. According to CSO data dated 30th May 2014, the GDP (percent) saving rate in 2010-11 was 33.68 percent, compared to 30.5 percent in 2013-14. This drop suggests a poor investing climate. A favourable investment environment attracts more investors and contributes to national growth. Investors and investor classifications have already been discussed.

## 2. Discussion

### 2.1 Demographic Profile of Middle-Income Group Investors

The demographic profile of the investors was the subject of the first segment of the study. The information was gathered from MIG investors in India's northern and southern regions. The study concentrated on the demographic profile because it is so crucial in the investment decision-making process. The following is a blue print of the demographic distribution of the respondents, as shown in table 1 below:

Table 1: Demographic Profile of Middle-Income Group Investors

Demographic factor	Count of Respondent from North India		Count of Respondent from South India		Total Count of Respondent	
	Count	Percentage	Count	Percentage	Count	Percentage (Total Sample = 500)
<b>Gender</b>						
Male	172	52.93	152	46.77	325	65
Female	78	44.58	97	55.43	175	35
<b>Age</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
20-25	37	43.03	49	56.98	86	17.2
26-35	93	43.06	123	56.95	216	43.2
36-45	81	64.29	45	35.72	126	25.2
46-55	32	64	18	36	50	10
56-65	4	22.23	14	77.78	18	3.6
65 and above	3	75	0	0	4	0.8
<b>Education</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Graduate	87	42.86	115	56.66	203	40.6
Post Graduate	144	58.29	103	41.7	247	49.4
Professional	19	38	31	62	50	10
<b>Marital Status</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Married	188	56.97	142	43.04	330	66

Unmarried	59	36.88	100	62.5	160	32
Single/Divorced	3	30	7	70	10	2
<b>Occupation</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Government Employee	61	39.36	94	60.65	155	31
Private Service	143	55.65	114	44.36	257	51.4
Own Business	32	78.05	9	21.96	41	8.2
Student	8	42.1	10	52.64	19	3.8
Retired	4	100	0	0	4	0.8
Others	2	8.34	22	91.67	24	4.8
<b>Income Level</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Less than 3 lakhs	39	42.86	51	56.05	91	18.2
3-5 Lakhs	150	58.59	106	41.4	256	51.2
6-10 Lakhs	55	47.83	60	52.18	115	23
11-20 Lakhs	5	13.52	32	86.49	37	7.4
21-25 Lakhs	1	100	0	0	1	0.2
<b>Household type</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Nuclear Family	155	47.4	165	50.46	327	65.4
Joint / Extended Family	93	53.76	80	46.25	173	34.6
<b>Accommodation</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Own House	162	47.93	176	52.08	338	67.6
Rented House	88	54.33	75	46.29	162	32.4
<b>Dependents Count</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
zero	14	46.67	16	53.35	30	6
Two	108	45.38	130	54.63	238	47.6
Four	88	50	88	50	176	35.2
More than four	41	73.22	15	26.79	56	11.2
<b>Earning Family Member</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Single	136	55.52	109	44.49	245	49
Two	82	53.59	71	46.41	153	30.6
More than two	33	32.36	69	67.65	102	20.4
<b>Investment Experience</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>
Less than 5 Years	170	52.64	153	47.37	323	64.6
5-10 Years	55	47	62	52.99	117	23.4
11-20 Years	19	59.38	13	40.63	32	6.4
21-30 Years	6	22.23	21	77.78	27	5.4
<b>Saving Rate</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>	<b>Count</b>	<b>Percentage</b>

Less than 20%	170	56.48	131	43.53	301	60.2
21-30 %	57	45.24	69	54.77	126	25.2
31-40 %	12	23.53	39	76.48	51	10.2
41-50 %	8	44.45	10	55.56	18	3.6
Greater than 50%	4	100	0	0	4	0.8
*Percentage is up to accuracy of two decimal points						
Source: Field Survey						

## 2.2 Objective of MIG investor's Behind Investment in North India and South India

### *Future Security*

As shown in Table 2, out of total sample 217 investors invest for their future security and among them there were 111 (58.43% of the total sample) from North India and 106 (55.79% of the total sample) from South India. Future security was found to be the main objective behind investment for the investors of both the regions.

### *Tax Shelter*

In total sample 55 investors invest for tax shelter and among them there were 18 (30.75 % of the total sample) from North India and 37 (19.48 % of the total sample) from South India. In North India Tax shelter is the least preferred objective behind investment however in South India it is next to future security.

### *Return/Yield*

In total sample 44 investors invest for their return expectation and among them there were 23 (12.10 % of the total sample) from North India and 21 (11.06 % of the total sample) from South India. This objective is equally preferred in both the locations.

### *Capital Appreciation*

In total sample 54 investors invest for capital appreciation and among them there were 35 (18.43% of the total sample) from North India and 19 (10 % of the total sample) from South India. It is the second most preferred objective after future security in North India however preferred moderately in South India.

Table 2: Objective of MIG Investors behind Investment in North India and South India

Objectives	Future Security		Tax shelter		Return/ Yield		Capital Appreciation		Do not know		Total	
	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age	No.	%age
North India	111	58.43	18	30.75	23	12.10	35	18.43	3	1.58	190	100
South India	106	55.79	37	19.48	21	11.06	19	10	7	3.69	190	100
<b>Total</b>	217	57.10	55	14.48	44	11.58	54	14.21	10	2.63	380	

## 3. Conclusion

The financial industry contributes significantly to the growth and development of the economy in a variety of ways. A well-developed financial sector provides an efficient route for the transmission of

policy impulses, as well as for the efficient and effective allocation of resources and the overall saving of the economy through the use of a variety of financial instruments. Investment also has a significant impact on the recipient economy in terms of resource mobilisation, job creation, and the generation of tax revenues, amongst other things.

Overall, the study concludes that primarily middle-income group investors invest for the motive of financial and future security followed by capital appreciation. In case of south India, capital appreciation is the least favoured objective, second most favoured option is tax benefit followed by annual return/yield. In north India, tax shelter is considered as the least favoured investment objective; middle income consumers strive more for capital appreciation and annual yield. It can be attributed to the low-income level especially in norther parts of India; hence, investors prefer investment to generate second source of income.

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