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AN ANALYSIS OF THE INVESTMENT HABITS OF URBAN INVESTORS IN MUMBAI METROPOLITAN REGION(MMR)

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Abstract:

Investments allocate funds into assets to achieve financial goals like wealth-building, retirement savings, or home buying. Options include high-return, high-risk stocks, stable bonds, income-generating real estate, diversified mutual funds/ETFs, precious metals, cryptocurrencies, commodities, and low-risk avenues like savings accounts. Understanding risks and diversifying portfolios are key to informed, successful investment strategies. The study is carried out in urban part of MMR with 303 respondents. The one way ANOVA applied and accepted null hypothesis stating there is no significant relation among demographic factors and investment habit. The study showcase that young investors tends to invest in high risk investment. The financial planning campaign must be run by government and non-government agencies to elope the fear of securities market.

Keywords: *Gen Z, Investment habit, Investment Avenue, Demographic Factors.*

Introduction :

Investment means the allocation of money or resources into assets or ventures with the expectation of generating a return over time. It plays a vital role in both individual wealth-building and economic growth. People invest to achieve financial goals such as saving for retirement, buying a home, or building long-term wealth.

The key area of investment is to earn a return on the initial capital, which could come in the form of dividends, interest, capital gains, or rent. Investments are typically made with an understanding that there is a risk of loss, as the value of assets can fluctuate based on market conditions or economic factors. However, the potential for higher returns often comes with higher risks.Different types of investments vary in terms of risk, liquidity, and time horizon. For example, stocks tend to offer higher returns but are more volatile, while bonds are generally safer but yield lower returns. Diversification, or spreading investments across various assets, is a strategy used to mitigate risk.Understanding investment principles is crucial for individuals to make informed decisions about how to grow and protect their wealth over time.

Some of the investment avenues are as follows:

1. **Stock Market (Equity Investments):** Stocks represent ownership in a company, and when you buy shares, you acquire a stake in that company. Equity investments are considered high-risk but offer high-return potential. Stocks typically offer two types of returns: capital gains (from the increase in stock prices) and dividends (periodic payments made by companies to shareholders). It provides high long-term returns, particularly when diversified across sectors. Stocks are traded on exchanges, meaning they can be bought and sold

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quickly. Stock prices can fluctuate widely, leading to potential losses.

2. **Bonds (Fixed Income Investments):** Bonds are debt securities issued by corporations or governments. When you invest in a bond, you're essentially lending money to the issuer in exchange for periodic interest payments and the return of the principal at the bond's maturity. Bonds pay a fixed interest rate, which can provide steady income. As compared to stocks, bonds are less volatile, especially government bonds or bonds from highly rated corporations. It generally offer lower returns than stocks.Bond prices can fall if interest rates rise, affecting the value of existing bonds.
3. **Real Estate:** Investing in real estate involves purchasing properties with the intention of earning rental income or capital gains. Real estate can be residential, commercial, or industrial, and investors can either buy physical properties or invest in Real Estate Investment Trusts (REITs). Real estate investments often come with tax advantages such as deductions on mortgage interest. If looking from liquidity point time it is less liquid than stocks or bonds.
4. **Mutual Funds:**A mutual fund pools money from many investors to invest in a diversified portfolio of stocks, bonds, or other assets. It is managed by professional fund managers, which offers individuals the ability to invest in a diversified portfolio without needing expertise in managing investments. Mutual funds allow small investors to access a diversified portfolio of investments. Fund managers handle the investments, making it easier for those who lack time or knowledge. It can typically be bought and sold easily. It is best for investors who want diversification and professional management without the need for active involvement.
5. **Exchange-Traded Funds (ETFs):** ETFs are similar to mutual funds but are traded on exchanges like individual stocks. ETFs offer a way to invest in a broad range of securities without purchasing them individually also provide exposure to a wide range of assets, minimizing individual asset risk. It can be bought and sold like stocks throughout the trading day. Like stocks, ETFs are subject to market fluctuations. Some ETFs may not perfectly track their underlying index, resulting in slight performance discrepancies. It is good for Investors seeking diversified exposure with lower fees and flexibility.
6. **Gold and Precious Metals:**Gold, silver, and other precious metals are tangible assets that have historically been seen as safe-haven investments, particularly during times of economic uncertainty. Precious metals can be bought in physical form (bars, coins) or through financial products like ETFs that track metal prices. Precious metals often hold their value or appreciate during periods of inflation or economic instability. It is suitable for investors looking for a safe-haven asset to hedge against inflation or market instability.
7. **Cryptocurrencies:** Cryptocurrencies, like Bitcoin, Ethereum, and others, are digital assets based on blockchain technology. Cryptocurrencies have seen significant price increases in recent years, offering the potential for high returns. Cryptocurrencies are not subject to government or financial institution control, offering some degree of autonomy. Cryptocurrencies are highly volatile and subject to dramatic price swings. Cryptocurrencies face uncertain regulations in many countries, which can impact their value. High-risk, high-reward investors who are comfortable with extreme volatility and are knowledgeable about the space.
8. **Commodities:** Commodities include physical assets like agricultural products (wheat, corn),

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energy resources (oil, natural gas), and metals (gold, silver). Investors can access these markets directly by buying the commodities themselves or through commodity-based ETFs and futures contracts. Commodities often move independently of stocks and bonds, providing a good hedge against market volatility. Commodities like gold and oil often appreciate during inflationary periods. It can be highly volatile, impacted by factors like weather, geopolitical events, and economic cycles. Commodity markets are often more complex and require more knowledge to navigate.

9. **Savings Accounts and Fixed Deposits:** These are low-risk investment avenues where investors deposit money with a bank or financial institution for a specified period. In return, they earn a fixed interest rate on their deposits. Savings accounts and fixed deposits are among the safest investments. Savings accounts provide easy access to funds. Interest rates on savings accounts and fixed deposits are generally lower than other investments. Returns may not keep pace with inflation, leading to a decrease in purchasing power over time. Conservative investors looking for safety and liquidity.

Each investment avenue has its own set of risks, rewards, and time horizons. The key to successful investing lies in understanding your financial goals, risk tolerance, and investment horizon. A diversified portfolio, combining different asset classes, can help manage risks and optimize returns. Always consider seeking advice from a financial advisor to tailor your investments to your individual needs and circumstances.

Review of Literature:

1. **Dr. A. Samudra and Dr. M. A. Burghate (May 2012)**examines investment preferences of the middle-income group in Nagpur, segmented by age and income. Preferred investment options were Savings bank accounts followed by life insuranceand Public Provident Fund (PPF) or Post Office savings deposits.Investors value high returns and liquidity over tax savings or low risk. Tax saving is the least considered factor.18% of higher-income individuals prioritize tax savings, compared to only 1% of the lower-income group. Many prefer short-term investments. It is suggested enhancing financial literacy to help the middle-income group explore diversified investment options beyond savings accounts.
2. **M. Assefa, Dr. D. Rao P.V, (January 2018)** his study explores the relationship between financial literacy and investment preferences among salaried individuals in Wolaita Sodo town, Ethiopia. It is a descriptive survey with qualitative primary data collected via mailed questionnaires to 250 respondents. The study investors preferred bank deposits followed by government bonds, pension funds,fixed assets, real estate, insurance, bullions, and corporate shares. Financial literacy was low at 47.4% among respondents. The researchers recommend financial literacy programs to improve investment knowledge and decision-making skills.
3. **P.J.Reddy, Prof. M.V.Ramprasad, Dr. Shaik Shamshuddin,(January 2020):** The study examined the beliefs, expectations, values, attitudes, and behaviors of LIC India policyholders. It aimed to identify the external and internal factors that influence their decision-making.A quantitative analysis was conducted using responses from 400 with statistical tools like Chi-square tests, averages, mean scores, frequency distribution, and T-tests were applied for the analysis. Respondents viewed life insurance as essential to protecting the breadwinner of a family and their loved ones.Financial experts were considered valuable in providing accurate insurance information.

4. **J. B.Togadiya, Dr. Vataliya, September (2016):** The study investigates investor behavior and awareness towards investment avenues in Ahmedabad city, focusing on demographics such as age, occupation, and income. Convenience sampling of 130 respondents was conducted using structured questionnaires and personal interviews. One-way ANOVA analysis revealed equity investments as preferred due to moderate risk and returns. Age, gender, and education showed no significant differences in expected ROI, while occupation and income significantly influenced investment choices. Most respondents anticipated returns between 13%-18%, and investment levels were proportional to income. The research highlights investor preferences and provides insights into factors shaping investment decisions. It emphasizes awareness and risk tolerance.
5. **R. Chinnu Vinu, (2020)** :The study explores investment behaviors in Mumbai, focusing on areas like Malad, Ghatkopar, Thane, and Andheri. Its descriptive and exploratory approach uses primary and secondary data gathered via questionnaires distributed to 250 people, with 200 responses analyzed using tools such as charts and Likert scales. Most respondents are aged 31–40, followed by those aged 21–30. The study identifies assurance of returns, tax benefits, capital gain, low risk, safety, future security, and specific goals like child education and marriage as key drivers of investment decisions. Influential factors include financial knowledge, risk tolerance, recommendations, past experiences, media, and linking investments to personal goals.
6. **B.U. Swadia (March 2017)** :focused on the investment behavior of middle-income investors in Ahmedabad city. It categorized investments into three types: low/no risk, medium risk, and high-risk investments. The research, which was descriptive in nature, used questionnaires and simple judgment sampling with 100 respondents. Both primary and secondary data were collected.The primary objectives for savings were children's education and future, followed by healthcare, retirement, home purchase, and marriage.Safety of investment was the most critical factor for investors, followed by low risk, high returns, and maturity period.Main motivations for investment included potential returns, future expenditure needs, tax savings, and wealth creation.

1. **Research Gap :**

   There are tremendous studies conducted by many researchers considering various components but investment habits of urban investors in MMR remain untouched. Hence to plug the gap current study is conducted.
2. **Objectives:**
   - To explore the demographic factors that influence investment habits of urban investors in MMR.
3. **Hypothesis:**
   - H0: There is a no significant relationship of demographic factors (age, gender & income) and investment habits of investors .
   - H1: There is a significant relationship of demographic factors (age, gender & income) and investment habits of investors .

Research Methodology:

1. Type of Research : The current study is of descriptive in nature.
2. Data Collection Methods: Data collected through survey and questionnaire methods.

   a. Primary Data : The well structured questionnaire were prepared and circulated among 350 respondents.

   b. Secondary Data: To explore the research thoroughly the researcher collected secondary

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data through research articles, newspaper, magazine , journals/periodicals .

3. Sampling Design: 303 responses collected from Urban part of Mumbai Metropolian Region.
4. Data Analysis: One factor ANOVA was used to analyse the data.
5. Hypothesis Testing : ANOVA tests hypotheses by comparing means of three or more groups, analyzing variance between and within groups. It identifies statistically significant differences caused by independent variables under consideration.

Limitation:

- The study focuses about impact of demographic factors on investors leaving other aspect.
- The study is conducted in only urban area of MMR.
- The collected response may not represent universe of the study.

Findings:

- It is found that despite of awareness of modern investment avenues still majority of people prefers to invest in traditional mode of investment.
- The level of education shows higher impact towards selection of investment avenues.
- Higher the income greater the saving is observed.
- Gen Z prefers more to invest in share market than retirement plans.

Conclusion:

- The nature of family plays vital role in investment decision of investor.
- Some of the peoples feels stuck in making choices of investment.
- Somewhere safety matters a lot over liquidity to Gen Y than Gen Z investors.
- Risky avenues are chosen by Gen Z unmarried investors, shows their risk taking attitude.

Suggestions:

- There is a need to educate females about investing, finance, benefits of investing and financial planning.
- Majority of the respondents belonged to a young age group of20-30 years old (38%). From this it can seen that Youth is aware about Investing. Government and Financial Institutions should conduct campaigns to bring awareness among the middle aged and the elderly.
- Regulatory bodies like SEBI should make sure that people know about shares. Stock market even till this date is considered to be unsafe by majority of the investors. This perception of investors needs to be changed.

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