A Study on Investment Avenues and Preferences in the Region of Dadra and Nagar Haveli

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Abstract

The study explores investment preferences and influencing factors among individuals residing in Dadra and Nagar Haveli, a Union Territory (UT) of India. The research aims to bridge the knowledge gap regarding investor behaviour in UTs, which often differ from larger states, by surveying 142 respondents. The study investigates: Investor demographics, Investment awareness and practice, Investment preferences, and Factors influencing investment decisions. The findings reveal a mix of risk preferences amongst the respondents wherein a significant portion favours traditional, secure options like bank deposits and insurance. Many are interested in mutual funds and the stock market, indicating a willingness to embrace some risk for potentially higher returns. Gold and Post Office schemes also find favour, reflecting a conservative streak. Safety emerges as the most influential factor, followed by return on investment and risk tolerance. The study also finds that younger investors (21-30) are more likely to invest in the stock market and mutual funds compared to older age groups. This research provides valuable insights for: Policymakers so as to design targeted financial products and infrastructure to enhance UTs' economic growth, financial institutions so that they can tailor their investment offerings and improve investor education in the region, and residents to make informed investment decisions aligned with their financial goals and risk tolerance.

Keywords: Dadra and Nagar Haveli, Investment, Investment Avenues, Investor Behaviour, Risk Tolerance

Introduction

The ever-increasing cost of living creates constant pressure on individuals to bridge the gap between fixed income and desired lifestyle. Investment strategies become crucial in this scenario, allowing individuals to grow their wealth and achieve various financial goals. Ramya (2022) categorizes these goals into two primary categories: financial objectives (focusing on liquidity and safety) and personal objectives (influenced by individual characteristics like family commitments, income level, desired social status, and consumption patterns). Investopedia (n.d.) defines investment as the allocation of resources (time, effort, or money) today with the expectation of generating future income or capital appreciation (increase in asset value over time). Essentially, it's about sacrificing some resources for a potentially greater benefit later.

The financial market offers a multitude of investment options. Traditional avenues, as identified by Pandey and Vishwakarma (2020), include bank deposits, post office deposits, Life Insurance Schemes (LIC), and gold. However, the growth of the financial industry has witnessed a shift in preferences, particularly among younger generations, towards mutual funds, the equity market, and commodities. This trend is supported by data from The Economic Times (Kakkar, 2024), which highlights a surge in investment registrations (over 120 million between 2019 and 2023) in mutual funds, stocks, and bonds. Selecting the optimal investment option requires careful navigation through a complex landscape. Individual preferences are shaped by a multitude of factors, including risk tolerance, investment time horizon (short-term *vs.* long-term goals), and desired level of return or income generation. Risk-averse investors may prioritize security, favouring low-risk options like fixed deposits, while others might chase higher returns by accepting greater risk associated with stocks or commodities.

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This paper delves deeper into understanding individual investment preferences and the factors influencing their decision-making processes. Furthermore, it aims to explore the time horizons favoured by different investor profiles. To ensure a robust analysis, the study will incorporate hypothesis testing to establish the strength of relationships between these various factors.

Understanding investment preferences and avenues in Union Territories (UTs) holds significant value (Aggarwal, 2020). UTs often possess unique economic characteristics and development priorities compared to states. This research aims to bridge this knowledge gap by examining investor behaviour and available investment options within a specific UT. By identifying preferred investment instruments and highlighting promising avenues, the research can inform policymakers in designing targeted financial products and infrastructure to enhance UTs' economic growth and attract capital (World Bank, 2023). Additionally, the findings can empower residents by providing insights into suitable investment options for their financial goals. Recent trends indicate that investors from smaller states and UTs are increasingly allocating substantial assets to mutual funds, reflecting a growing sophistication in investment behaviour. (Shyam, 2017) Understanding these preferences is essential for financial institutions to tailor their offerings and enhance investor education, ultimately fostering economic development in these regions.

Review of Literature

Geetha and Ramesh (2011) examined the factors that influenced investment behaviour and gauged the attitude of the respondents towards different investment avenues. The study was based on a sample size of 210, collected using a simple random technique and data was analyzed using descriptives and chi-square technique. The study revealed that there was no significant relation between investment avenues with gender, age groups and annual income. It reflected that lower income groups considered safety more important while investing comparatively to higher income level groups. The study concluded that people of middle- and lower-income groups were more inclined toward insurance, bank deposits, PPF, and NSC.

Murithi *et al.* (2012) focused on understanding the preferences of respondents and their motivations toward investment, using a convenience sample collected using a structured questionnaire from 100 respondents. The result indicated that safety was the primary concern for most respondents and invested primarily to meet future expenses. Findings showed that as age increases, risk tolerance decreases. A majority of respondents favoured investment in the banking sector, while females showed a preference for investment in gold. Additionally, friends/family emerged as key sources of investment information. The study also found a positive correlation between age and income. It concluded that investors were conservative despite their high education and income level.

Sood and Medury (2012) analyzed the preference of salaried people with regard to different financial instruments based on demographic factors. Primary data was collected from 133 respondents using the survey method. The study tested various hypotheses and found that age, income, gender, marital status and employment status did not have an impact on the investment preference of investors. It concluded that government employees opted to invest in safer investment avenues while private employees favoured investing in risky avenues offering higher returns.

Jain (2017) focused on studying the preferred investment avenues and the factors that influenced investment selection. Primary data was collected from 45 individual investors through a simple random technique. Hypotheses testing showed that there was no relation between gender and investment avenues & no significant relation between income and investment. The study concluded that most of the respondents preferred fixed deposits being the safest and primarily invested to meet emergency needs.

Tyagi *et al.* (2018) explored the investment preferences of individual investors. The sample size of the study was made up of 100 respondents. Primary data was collected via a structured questionnaire. The study showed that most respondents used the internet as a source of information for investment. The study concluded that the most preferred investment option was saving accounts, followed by gold and silver. It revealed that determinants such as income, education and occupation influenced respondents investing decisions.

Pandey and Vishwakarma (2020) discussed the various investment avenues available to investors. The study had the primary objective to study the preference of young investors belonging to the age group of 21-35. For primary data collection, a simplified questionnaire was utilised. The sample size was made up of 119 respondents collected using a survey method. The result showed that the young investors were more oriented towards Mutual Funds and Equity Markets. The young generation focused on higher returns irrespective of the duration of the investment. The study found that there was no significant difference among age and gender while investing in equity and mutual funds.

Lakhmani *et al.* (2020) aimed to identify the determinants that influenced investors' choices of investment avenues. Primary data was collected from 51 respondents in Lucknow City through random

sampling. Findings showed that mutual funds were the most preferred investment avenue. Investors of the age group 20-40 favoured equity and mutual funds, while those above 60 preferred less risky investments. The study reflected a preference of people for safety, tax-saving, liquidity, high returns, and shorter durations, reflecting a resistance to taking risks.

Ramya (2022) examined the preferences of private employees and the factors affecting investment patterns. Primary data was collected from 100 private employees of Coimbatore City. It showed friends/family as the primary sources of information for respondents for investing. The majority of respondents preferred a low-risk avenue and invested for savings followed by earning a return. The study analyzed the safety of principles as a significant factor that influenced the investment. The study revealed that there was no significant difference between gender and preferences and preferred type of investment & level of satisfaction.

Dwivedi and Khare (2023) elucidated different kinds of investment avenues available to investors. Primary data was collected by 60 people working in the government or private sector. The study revealed that investors aged 21-40 preferred high-return investments, such as IPOs and mutual funds, despite the high risk involved. Investors from other age groups were oriented toward low-risk investments like fixed deposits, real estate, and gold. This showed that younger investors were more risk-tolerant as compared to older investors. It also showed that marital status had a significant impact on the investment choices of investors.

Chittibabu *et al.* (2023) aimed to examine investment preferences, satisfaction, and the determinants influencing investor decisions. Primary data was collected through personal interviews with 72 individuals. The analysis showed that most investors preferred bank deposits, followed by the stock market, and were willing to take moderate risks. Key factors in choosing investments included emergency needs and family security. The study concluded that younger investors (<25) were more interested in investment planning due to increased awareness, with the main objective being future financial security.

Thakkar *et al.* (2023) had the objective to study the preferences of investors towards various investment avenues and identify whether investor preferences were influenced by the level of salaries. Primary data was collected from 100 respondents using a convenience sampling method through questionnaires. The study analyzed that there was no significant relationship between age & risk tolerance and also no significant relation between annual income & risk tolerance.

Objectives

1. To Understand the profiling of the Investors in the region of Dadra and Nagar Haveli.
2. To Identify the factors and their importance in decision-making with reference to investments in the region of Dadra and Nagar Haveli.
3. To Analyze the avenues and their preferences amongst the Investors of Dadra and Nagar Haveli.

Hypothesis:

Ha1: There is an association between age and risk-taking abilities while investing.

Ha2: There is an association between age and preference for investment in the stock market and mutual funds.

Research Methodology

The researchers have utilized an Exploratory and Descriptive research design for this study that includes exploring the factors and avenues of investment on a literature basis and the same was included in the questionnaire to understand the context of investors in the region of Dadra and Nagar Haveli. A Structured Questionnaire was drafted in the Google Form that included insights from the Literature Review and discussion with learned colleagues and friends. The questionnaire was circulated in the region of Dadra and Nagar Haveli and 142 usable responses were gathered. The other sources of data collection consisted of secondary data in the form of Internet Blogs, Journals and News Articles. The Sampling techniques followed were convenience and snowball sampling. The research has been carried out during the period of June-July 2024 and the responses have also been taken during the similar time tenure. The research has been carried out primarily in the region of Dadra and Nagar Haveli. The study comprehensively examines the profiling of investors, categorizing investors based on characteristics such as demographics, risk tolerance, and reason for investment. The research examines factors such as safety, rate of return, risk, and liquidity and analyzes their relative importance in shaping investment decisions. Additionally, the research analyzes the investment avenues including fixed deposit, mutual fund, stock market, gold/silver and alternative options and assesses investor preference of regarding these options.

Data Analysis and Interpretations

Demography

In total, 142 usable responses were gathered of which nearly half of the respondents fall into the

Age bracket of 21-30 followed by 18% responses coming from the age bracket of 31-40 and 41-50. 59% of the respondents were male and the rest were female. 44% of the respondents had the qualification of post-graduation and 37% of the respondents had completed graduation. The proportion of married and unmarried from respondents was 45.8% and 54.2%, respectively. The majority (47%) of the respondents were employed followed by the student participation (32%) in the survey. 46% of the respondents had an annual income of less than 3 lac rupees followed by 28% that fall into the income bracket between 3 lac to 6 lac rupees.

Investment Basics

Among 142 respondents, 8% of respondents consider themselves highly knowledgeable about investing, and 39% have a neutral stance. 45% of respondents have been actively investing for 0-1 years, followed by 35% for 2-5 years. Nearly half of the respondents invest 0-10% of their annual income, 23% invest 10-20%, and only 4% invest more than 40% of their annual income. While 51% of respondents invest on a monthly basis, followed by 23% investing quarterly. Investment portfolio monitoring varied, with 28% doing so monthly, 23% weekly and 14% infrequently. 59% cite the internet as their primary source of investment information, followed by 47% who rely on family and friends. Regarding satisfaction, 13% of respondents are highly satisfied, and 37% have a neutral view. Considering the level of growth, a majority (48%) of respondents expect moderate growth.

Investment Preferences

The data analysis indicates that the majority of respondents which accounts for 44% prefer bank deposits, followed by 40% favoring mutual funds, and 36% are oriented toward the stock market. Additionally, 29% choose insurance policies, 24% invest in gold/ silver, 18% in post office savings schemes and 14% in PPF. Considering preference of sector a majority (55%) of respondents favour the public sector, a significant portion (42%) prefer the private sector and few prefer the foreign sector for investment. This shows that a significant portion of respondents lean toward traditional and relatively secure investment avenues such as bank deposits and insurance policies, showing a tendency to resist risk. A large portion of respondents seek to invest in mutual funds and stock markets, reflecting a willingness to engage in riskier but potentially offering higher returns. Additionally, respondents also prefer to invest in gold, reflecting conservatism. Post office savings schemes and PPF are also being favoured, appealing to those being oriented toward public sectors and long-term duration. All this suggests a diverse array of preferences among respondents with a blend of risk, duration, safety, etc.

Factors Influencing Respondents to Invest

The study shows that the primary reason for investment among respondents is to seek good returns (60%), while 51% aim for wealth creation, and 39% invest to meet family needs. Additionally, 35% invest to meet emergency needs. This emphasizes that the majority of investors prioritize returns and wealth accumulation. In terms of level of risk, the majority of respondents

Table 1: Inputs of Respondents on Influential Factors on Their Investment Decisions

Influence of factors	1-Highly influential	2-Influential	3-Neutral	4-Less influential	5-Least influential	Weighted average	S.D
Safety	66	41	24	6	5	1.89	1.06
Rate of Return	55	49	22	12	4	2.02	1.07
Risk	56	45	26	10	5	2.04	1.09
Liquidity	34	67	35	2	4	2.12	0.89
Maturity Period	39	57	32	7	7	2.20	1.05
Industry Performance	42	57	24	9	10	2.21	1.15
Inflation	38	57	27	17	3	2.23	1.04
Market Condition	42	50	32	10	8	2.24	1.12
Tax Saving	39	47	37	15	4	2.28	1.07
Diversification	33	59	31	13	6	2.30	1.06

Source: Primary data

(53%) opt for a moderate level of risk, followed by 37% preferring low-level risk and a small portion (10%) inclined to low-level risk. It reflects that respondents prefer a balanced approach ensuring returns with a modest level of risk. Regarding the time horizon of investment, 33% are inclined to the medium term, 30% lean toward the long term, 15% prefer the short term and remaining opt to diversify tenures.

Table 1 shows safety has a weighted average of 1.89, showing it significantly influences the investment decision, likely indicating an inclination toward more secure and stable investment avenues. The rate of return, with a weighted average of 2.01, is also considered important, reflecting that while respondents prioritize safety, they also consider earning a competitive return on their investment. Risk, with a weighted average of 2.04, is a factor having slightly less influence on investors, indicating that while respondents are cautious and concerned about potential risks, they may also be ready to take some level of risk in order to gain higher returns. Overall, data analysis shows that while safety remains the primary factor, rate of return and risk also play an important role in the investment decisions of respondents. The standard deviation of each factor depicts the variability of the responses gathered. All the factors have a standard deviation value near to 1 indicating the consistency in responses across the sample size of the study.

Ha1: There is an association between age and risk-taking abilities while investing. Based on the p-value derived through the cross-tabulation between age and associative preference for the level of risk that respondents are ready to undertake while investing, we fail to accept the null hypothesis and conclude that, indeed, there is an association between the mentioned two attributes.

Ha2: The table indicates that a majority of respondents investing in the stock market and mutual funds fall in the age category of 21-30. Out of a total of 51 respondents investing in the stock market 60.78% belong to the age category of 21-30 and in the mutual fund out of 57 respondents 59.64%, belong to the age category of 21-30. As per the analysis, it can be said that young investors are more oriented toward the stock market and mutual funds. It can also be supported by The Economic Times (Kakkar, 2024) which showed a rise in registered investors in the stock market and mutual funds. So, as per data analysis, it can be said that the majority of the rise in investors is being contributed by the young investors entering the market.

Table 2: Hypothesis Testing

χ^2 Tests			
	Value	**df**	**p**
χ^2	26.7	8	< 0.001
N	142		

Table 3: Cross Tabulation of Age Group and Level of Risk the Respondents are Ready to Bear while Investing

Age	High Risk	Low Risk	Medium Risk	Total
21-30	12	19	39	70
31-40	0	11	14	25
41-50	1	15	10	26
Above 50	2	6	1	9
Below 20	0	1	11	12
Total	15	52	75	142

Source: Primary data

Ethical Considerations

The research adheres to the ethical principles for conducting research with human subjects. Informed consent has been obtained from all participants prior to their participation in the study through an introductory note disclosing the purpose of the research and giving surety on the confidentiality of the responses by the participants/respondents.

Conclusion

The study on investment avenues and preferences in Dadra and Nagar Haveli reveals a complex interplay of factors influencing investment decisions. The study shows that the primary reason for investment among investors is to get good returns followed by wealth creation while also emphasizing meeting the family needs. The research indicates a majority of investors prefer to invest in the public sector and consider the Internet as their source of information for investing. The study reflects that a significant portion of investors prefer fixed deposits followed by mutual funds and stock markets, showing a diverse range of investors' preferences. Findings show that a portion of considerable portion prefers to invest in secure investment avenues. While safety remains a paramount consideration, the growing interest in higher-return options like mutual funds and stocks among younger investors signifies a shift in investment behaviour. The findings underscore the need for financial institutions to offer a diverse range of products catering to different

Table 4: Age-wise Preference of Investment in Stock Market and Mutual Fund

Age/Investment Preference	Stock Market	Percentage	Mutual Fund	Percentage
21-30	31	60.78	34	59.64
31-40	7	13.72	10	17.54
41-50	4	7.84	5	8.77
Above 50	3	5.88	5	8.77
Below 20	6	11.76	3	5.26
Grand Total	51		57	

#output from MS Excel

risk profiles. Additionally, there is an opportunity for enhanced financial literacy programs, especially among younger investors, to equip them with the knowledge to make informed investment choices. Future research could delve deeper into the specific factors driving the shift towards riskier investments among younger investors and the impact of digital financial platforms on investment behaviour in the region.

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