

Title: Investment pattern of Youth in India with reference to Mumbai

Name of Researcher: Sudarshana Saikia

Research Assistants:

- 1) Jeetendra Khilnani
 - 2) Mihir Jain
 - 3) Amol Bhoir
- Field Investigators
- 1) Swapnil Gaikwad
 - 2) Vaibhavi Dusi

Agency Applied to: P.J. Foundation, BSE

Executive Summary

A nation's productive capacity depends on a healthy capital formation. Robust savings rate coupled with good capital mobilization are the key macro-economic variables, which play a significant role in economic growth. A nation's savings and investment propensities also play a key role in achieving dynamic stability in the capital market. Per Capita Income in India has been on the rise since all of the last decade. With growth in the PCI, savings and investment in the country too has shown a northbound movement. At the same time, there has been a phenomenal rise in the youth population. This has made India the youngest nation with a demographic dividend appearing to be a reality. This young work force is expected to drive the engine of growth.

In Economics, investment is generally held to mean formation of capital. As such, from a pure economics point of view, the formation of physical assets is important when considering investment. However this study focuses on what is referred to as Financial Investment i.e. investment in shares and securities aimed primarily at earning income rather than enhancing production. By virtue of this the words savings and investment come closer in meaning than traditionally seen. However a slight difference still remains which is that while savings is simply setting aside funds for future, investment also involves mobilizing them so that somebody else may use it for productive purposes.

This study examines the savings and investment pattern of select college going students (Age: 17-25 years) in the city of Mumbai who has just begun to earn. The study also looks into the basic financial literacy amongst the youth; how they go about educating

themselves, and how do they look at risk, returns and various modes of investments and what determines the same. Primary data was collected using a survey method. The information generated during data collection was both qualitative and quantitative. The major objectives of the study were

- (1) To understand the youngsters' income and saving pattern.
- (2) To know their long-term financial goals.
- (3) To find out risk appetite of youngsters.
- (4) To find out whether the young investors are looking for long term growth or risk or return or liquidity.

The study finds that safety and security, which were always important reasons for investment, are still influential in determining the direction of investment. Respondents liked to keep multiple options while choosing their investment options. However, returns on investment were obviously the most considered factor followed by risk. Saving accounts in banks appears to be the most common way of saving and investing for the respondents. Mutual fund has gained the favour of young investors. Investment in mutual funds through the Systematic Investment Plan (SIP) is a favoured investment option for the youngsters. This is especially true of the young salaried class, which has just started earning and does not have a fat bank balance as yet. Youngsters today do know about the options available to them due to the rapid spread of information in recent times; they are not always sure about how to go about investing in newer ways actively.

An informed investor is a good investor; there is opportunity for providing them with guidance and information but it has to be done in a way that is in accordance with their lifestyle – seminars and workshops are no longer the kind of options to peruse. Podcasts, online videos, forums and tutorials are the way of learning of the young generation. The social media platforms specially Face Book, Twitter, LinkedIn along with e-groups and websites can be a medium to spread awareness about various options available for the young investors. Thus, investor education can play a vital role in improving the active participation of the investors in the market, which can help them in the informed investment and in getting good returns.

Read the full report at

<http://www.bseindia.com/investors/academicpaper.aspx?expandable=0>