A STUDY OF PREFERENCE OF URBAN INVESTORS TOWARDS VARIOUS WEALTH CREATION TOOLS WITH SPECIAL REFERENCE TO THE INVESTORS IN PUNE AND PCMC AREA

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Abstract: *The concept of investment and wealth creation is as old as human civilization. In India wealth creation and accumulation has a deep-rooted history and the traces of the same can be found in ancient writings such as 'Arthshastra' written by Kautilya. Kautilya stated four characteristics of wealth, namely reality, consumability, transferability and power of appreciation.*
At present various financial institutions are offering wide range of product where investor can invest his amount and create wealth for his future use. The industry in India has seen sea changes. During the early phase, real estate, gold, gems and jewelry were the main investment and wealth creation tools. In the later phase, the focus was enlarged and new product were introduced by financial institutions which not only cater the investment need but also secure the immediate needs of the dependants of individuals that may arise due to unforeseen events such as sudden or unfortunate demise of the investor.
On the basis of needs and objectives of different kinds of investors; wealth creation tools are categorized into eight life insurance, mutual funds, bank deposits, government bonds, ppf, real estate, precious metals and stones etc.
The researcher through this study would like know the inclination of investor towards various categories of wealth creation tools, influencing factors, and buying behavior of the investor.
Keywords: *Mutual fund, Life insurance, Real estate, Government Bonds, PPF*

I. INTRODUCTION:

Investment and wealth creation is as old as human civilization. In-fact wealth creation is the byproduct of civilization. Wealth had progressively created through the natural development of society. However, the growth of wealth gained momentum with the rapid development of trading. Expansion of trading business across various cities, countries and continents fueled the rate of accumulation of wealth at a larger scale.

In India wealth creation and accumulation has a deep-rooted history. During the vedic period, the term 'Arth' (wealth) is considered as one of the 'Purushartha'. In ancient India, individuals were permitted to earn and accumulate that much wealth which can satisfy one's desire and of the family members requirements. Kautilya advocated wealth accumulation; according to him wealth accumulation is always beneficial for the society, if wealth is earned in proper and fair way. According to him accumulation wealth is the best way of protecting the people against scarcity of food during draught like situations. In his book 'Arthashastra', Kautilya stated four characteristics of wealth, namely reality, consumability, transferability and power of appreciation.

It is evident from the economical history of the world that the forms in which wealth is accumulated are changing from time to time. Currencies, metals, precious stones, land, animals, farm produce such as grains, pulses, oil seeds etc. were used and still being used for creation and accumulation of wealth.

In order to survive on this planet, every person needs to find a way of wealth creation. He requires wealth to meet his daily basic needs like, food, cloth and shelter. Apart from these basic needs every individual has to be prepared for the contingency expenses that may arise in the future. Every person has his own set of objectives behind creation and accumulation of wealth. To fulfill these objectives verity of options and alternatives are available for every individual. Following are few amongst most popular investment and wealth creation tools:

a) **Life Insurance:** When launched, the basic objective of life insurance policies was to cater the need to secure the immediate requirements of nominees or beneficiaries in the event of sudden or unfortunate demise of the policy holder. At present there are 53 insurance companies operating in the country including 24 life insurance companies. These companies are offering innovative insurance policies and financial instruments which not only cater primary need of insurance, but also cater the other needs such as protection of wealth, tax saving, wealth growth, investment for future use etc. On the basis of needs and objectives of different kinds of investors; life insurance products are categorized into various categories like; term insurance, money-back, whole life insurance, ULIP, Pension plans etc.

b) **Mutual Fund:** Mutual fund is an investment vehicle that allows several investors with common financial goal(s) to pool their resources to invest in stocks, securities, bonds etc. The collected fund (Asset under Management i.e. AUM) is then invested by Fund Manager appointed by Mutual fund company. Mutual fund provides investors the freedom to earn on their personal savings. Investments in the mutual funds can be as less as Rs. 500. MFs also offer relatively high liquidity. Some mutual funds also provide rebate on income tax. On the basis of sector of investment, ratio of investment in various sectors, MF's are categorized in to the categories like, Money market fund, Fixed income fund, Equity fund, balanced fund, Fixed fund, Specialty fund, Fund of funds etc.

c) **Bank Deposits / Term Deposits:** It is a financial instrument provided by banks that allows investor to earn higher rate of return on his saving than the regular savings account. Fixed Deposit (FD) is the most popular form of bank deposit. Recurring deposit (RD) and Flexi Fixed deposit are other forms of term deposit. It is considered as the safest investment tool, however the liquidity of investment in FD's is less as compared to savings account. The rate of interest on savings in FD's varies from bank to bank and from the term of deposits. The longest permissible term for FD's in India is 10 years. Capital gain on FD's attracts income tax, this is another disadvantage of FD apart from less liquidity.

d) **PPF:** In India Public Provident Fund is a introduced in the year 1968 by Ministry of finance. The aim of the scheme was to activate the small savings by offering reasonably good returns on investment. Investments in PPF comes under section 80 c this makes it more attractive than other investment schemes, however there is a lock-in period of 15 years and full money can be withdrawn only after its maturity period.

e) **Government Bonds:** Government bond is a debt security issued by a government to support government spending. Investment in government bonds is considered as most secure investment while returns on such investment are relatively low.

II. OBJECTIVES OF STUDY:

1. To find out the most preferred wealth creation tool of urban investors.
2. To study most prominent reason for owning various wealth creation tools.
3. To study investors' inclination towards mutual fund in recent years.
4. To study the relationship of Age vis-à-vis ownership of wealth creation tools.

III. LITERATURE REVIEW:

Prabhavathi & Krishna Kishore (2013) in their study entitled "Investors' preference towards mutual fund and future investment: A case study of India" identified various investment avenues and investors inclination towards these investment avenues. The study revealed that 'gold' is the most preferred investment tool followed by investment in shares, real estate, mutual fund, fixed deposits, post office savings, debentures, ULIPS, commodity market while National Saving Certificate (NSC) is the least preferred investment avenue.

Gaurav Agrawal & Mini Jain (2013), carried out their study in Mathura city they tested investors awareness about various investment avenues. They also tried to identify prominent reasons for owning any specific investment and wealth creation tool. The key findings of the study are: Awareness about Bank Deposits and Life insurance policy (100%) is maximum followed by Real Estate, Mutual fund, gold etc. Return on investment is the most preferred reason for owning an investment tool followed by tax planning, safety of investment. Investment in Real estate is most secure investment but due to the large amount of investments most of the investor prefer Bank deposit who are seeking safety of their investment

Sarish and Ajay Jain (2012) in their study "Investors Preference Towards Mutual Fund In Comparison To Other Investment Avenues", concluded that variety of options are available to investor for creation of wealth. They also found that the awareness level about the risk and return associated with the investment in the mutual funds is very low.

Dr. Bhagaban Das, & Ms. Sangeeta Mohanty (2008) in their study tried to sketch the behavioral pattern of retail investors towards two important various investment opportunities. They also tried to investigate the impact of demographic variables such as age, sex, education, family income, type of education etc on the choice of an investment tool.

Sonali Patil, Dr.Kalpana Nandawar (2014), in their study "A Study on Preferred Investment Avenues Among Salaried People With Reference To Pune, India", elucidates that the awareness level about different investment avenues is more in males than that of females. The study also reveals that there is no correlation between awareness level and education level also there is no correlation between awareness and monthly family income of investor. The study further concludes that safety is the major factor that investor considers before investment followed by return on investment. Bank deposits are the most preferred investment avenue among other investment avenues

Anjan Chakarabarti and Harsh Rungta (2000) focused on the importance of brand image in determining the competitive position of the AMCs. The study reveals that brand image plays a vital role in influencing investor's decision and thereby maximizes the chances of fund selection for investment.

IV. RESEARCH METHODOLOGY:

In order to study the preference of urban investors for various wealth creation tools with reference to demographic variables, prominent reason for owning a particular wealth creation tool, investors' inclination towards mutual fund and to study the relation of age vis-à-vis ownership of wealth creation tools; the relevant questions are included in the schedule . A pilot study was conducted by collecting data from 25 respondents. The data collected was then analyzed and the results were compared with the previous researches in the same area and are also compared with the expectations of researcher. The researcher found the gap in expected results and actual results of pilot study. To have more insights on these gaps researcher added few questions in the schedule. The modified and well structured schedule is then administered on 319 respondents residing in the study area.

The prime objective of the study was to study the preference of urban investors towards various wealth creation tools among different categories of occupation, income level and other demographic variables.

Frequency distribution and binomial test has been applied for the data analysis and to draw conclusions.

V. LIMITATIONS OF THE STUDY:

The study has been carried out by considering only two needs of investors' viz. 'wealth creation' and 'investment'. However consumer buying is a complex process in which number of factors like social status, economic factors and psychographic factors influence the buying decision of the investor.

This is a cross sectional study, the results obtained are based on the one time data collection and it may vary if fresh data is collected. To study the changes in preferences towards various wealth creation tools a longitudinal study need to be carried out. This study is carried out in the urban area, the results obtained may not be applicable for investors residing in rural area.

VI. DATA ANALYSIS AND RESULTS:

To study the investment and wealth creation tools buying pattern and preferences given to those by urban investors; the author divided various investment and wealth creation tools into eight broad categories. The author had also identified five prominent reasons for owning those eight categories and five influential factors that affects the buying decision of investor.

Table 1
Type of Investment/wealth creation tools owned

Type	Yes	No	Total
Life insurance	275	44	319
Mutual Fund	219	100	319
Bank Deposit	154	165	319
PPF	46	273	319
Government Bonds	3	316	319
Real Estate	166	153	319
Gold, Gems and Jewelry	151	168	319
Other	24	295	319

Source: Primary Data

Table 2
Reason for investing

Type \ Reason	Safety	Return	Liquidity	Convenience	Tax Saving
Life insurance	267	206	0	0	221
Mutual Fund	40	219	215	177	161
Bank Deposit	89	154	142	26	0
PPF	30	46	0	0	46
Government Bonds	3	3	0	0	0
Real Estate	76	158	17	0	27
Gold, Gems and Jewelry	35	151	151	42	0
Other	23	19	0	0	0

Source: Primary Data

From the Table 1 it can be observed that the total 275 out of 319 respondents are owning a life insurance policy, 210 of those have invested in mutual fund, 153 had invested in banks/post office in the form of FD/RD/NSC/KVP, 46 have opened PPF account and they are investing in it regularly whereas the number of respondents who have their investments in real estate and in gold, gems & jewelry is 166 and 151 respectively, only 3 respondents have purchased government bond and 24 had their investments in other investment schemes. From this data it is revealed that Life insurance policy is the most preferred investment tool followed by mutual fund, real estate, bank deposits, gold etc.
To understand why life insurance policy is most preferred by the investors? Researcher included a relevant question in the schedule. Responses are recorded and presented in table 2. The data presented in table 2 reveals that Safety, benefit in income tax and long term returns are the reasons behind owning of insurance policy, table also reveals that out of 275 respondents who own life insurance policy, no respondent owned it for liquidity and convenience. Table 2 also elucidate that all investors who invested in the mutual fund opined that mutual funds are gives better returns on investments, apart from this reason investors owns mutual fund for other reasons most prominent among those is liquidity, convenience and benefits in income tax only 40 (18%) out of 219 who have invested in mutual fund opined that the investment in mutual fund is secure.
100% (154) of the investments in bank deposits are aimed at good return on the investment, liquidity is the second most preferred reason for the investments in bank deposits. 89 (58%) out of 154 feels that investments in bank deposits are secure. Table 2 reveals that real estate is the third most preferred investment tool, investors invested in real estate for good returns on investment however only 17 (11%) of them feels that investments in real estate possess the characteristics of liquidity. On the other hand all those who have invested in gold, gems and jewelry are of the opinion that their investment has high liquidity at the same time it will generate good return on the investments. From table 1 it is clear that very few (less than 1%) investors have purchased Government bonds, hence researcher do not have sufficient data to draw conclusions related to the reasons behind owning or not owning government bonds.

Table 2 reveals that the investments in mutual funds outnumbered the investments in Bank deposits, real estate and precious metals and stones. Real estate, gold, gems and deposits in the bank were most preferred investment tools in the history and they were defeated by relatively newer investment tool called mutual fund. To get more insights about the investments in mutual fund and other investment tools; researcher included a question about period of investment in the investments tools identified by the researcher. The analysis of the data is presented in the following table:

Table 3

Type \ Reason	Less thatn 1 year	1-3 year	3-5 years	5-10 years	More than 10 years
Life insurance	4	10	72	93	96
Mutual Fund	103	97	16	3	0
Bank Deposit	5	56	65	27	1
PPF	2	4	6	30	4
Government Bonds	0	0	3	0	0
Real Estate	9	12	4	24	117
Gold, Gems and Jewelry	0	0	17	56	78
Other	0	2	11	8	3

Source: Primary Data

It is evident from table 3 that the respondents who have their investments in mutual fund have invested it in recent years. Investments in mutual funds of 103 (47%) out of 219 respondents is not older than 1 year while 97 (44%) have invested during last 1 year to 3 years, only 19 (9%) of the investor have investments in mutual fund older than 3 years. From this data it can be concluded that 91% of the investors joined mutual funds during last 3 years. This proves that mutual funds has gained wide acceptance of investors during recent years. On the contrary to this other investment avenues such as Life insurance, bank deposits and real estate which were popular in last few decades are losing their popularity and acceptance. During last three years 14 (5%) out of 275 have purchased life insurance policy. During the same period 61 (39%) out of 154, 6 (13%) out of 46 and 21 (12%) out of 166 have invested in bank deposits, ppf and real estate respectively.

Table 4

Type ↓	Age →	20-30	30-40	40-50	more than 50	Total
Life insurance	Yes	36	78	150	11	275
	No	40	4	0	0	44
	Total	76	82	150	11	319
Mutual Fund	Yes	67	48	101	3	219
	No	9	34	49	8	100
	Total	76	82	150	11	319
Bank Deposit	Yes	1	19	123	11	154
	No	75	63	27	0	165
	Total	76	82	150	11	319
PPF	Yes	0	11	24	11	46
	No	76	71	126	0	273
	Total	76	82	150	11	319

Source: Primary Data

Type ↓	Age →	20-30	30-40	40-50	more than 50	Total
Government Bonds	Yes	0	0	0	3	3
	No	76	82	150	8	316
	Total	76	82	150	11	319
Real Estate	Yes	0	38	117	11	166
	No	76	44	33	0	153
	Total	76	82	150	11	319

Gold, Gems and Jewelry	Yes	0	16	127	8	151
	No	76	66	23	3	168
	Total	76	82	150	11	319
Other	Yes	6	4	12	2	24
	No	70	78	138	9	295
	Total	76	82	150	11	319

Source: Primary Data

Table 4 depicts that 36 (47%) out of 76 respondents belonging to the age group20-30 owns life insurance policy, 78 (95%) out of 82 belonging to the age group 30-40 years owns Life insurance policy this percentage further increased to 100% for the age group 40-50 years and more than 50 years. From this one can conclude that the percentage of owning life insurance policy increases with the age. Similar conclusions can be drawn for the ownership of bank deposits. On the other hand, from table 4 it can be concluded the percentage of ownership of mutual fund decreases with the age. In order to test the relationship between ownership of Life insurance policy, Mutual funds and bank deposits with the age of an investor, researcher has applied binomial test for each age group separately. Table 5.1 represents number of respondents of different age groups owning and not owning Life insurance policy.

Table 5.1

Age	Owned Life insurance	N	Observed Prop.	Test Prop.	Asymp. Sig. (2-tailed)
20-30 Years	Yes	36	0.47	0.5	0.73
	No	40	0.53		
	Total	76	1		
30-40 Years	Yes	78	0.95	0.5	0.000
	No	4	0.05		
	Total	82	1		
40-50 Years	Yes	0	0	0.5	0.000
	No	150	1		
	Total	150	1		
More than 50 Years	Yes	11	1	0.5	0.0009
	No	0	0		
	Total	11	1		

Source: Primary Data

From the above table it can be observed that in the age group of 20-30 years; 36 (47%) out of 76 respondents owns life insurance policy and 40 (53%) does not owns the same. This reveals that less number of respondents in this age group prefer life insurance policy. However the result of binomial test revels that the difference between the number of respondents owning and the number of respondents not owning the life insurance is not significant, as p value for this age group is more than 0.05 (0.73). Hence the null hypothesis ***"There is no significant difference in the number of respondents owning life insurance policy and not owning life insurance policy in the age group of 20 -30 years"*** is accepted at 5% level of significance.

Table 5.1 also reveals that the number of respondents in each of the remaining three age groups who owns life insurance policy is more than that of those who does not own the same. The result of the binomial tests for each of these groups confirms the same. The p value for each of these age groups is less than 0.05 hence the null hypothesis From the above table it can be observed that in the age group of 40-50 years; 36 (62.1%) out of 58 respondents owns term insurance policy and only 22(37.9%). This reveals that more respondents in this age group prefer term insurance policy. However the result of binomial test revels that the difference between the number of respondents owning and the number of respondents not owning the term insurance is not significant, as p value for this age group is more than 0.05 (0.87). Hence the null hypothesis, ***"There is no significant difference in the number of respondents owning life insurance policy and not owning life insurance policy in the age groups of 30-40, 40 -50 and more than 50 years"*** is rejected at 5% level of significance. This confirms that, respondents in the age groups 30-40, 40 -50 and more than 50 years prefers to invest in life insurance policy.

Table 5.2

Age	**Owned Mutual fund**	**N**	**Observed Prop.**	**Test Prop.**	**Asymp. Sig. (2-tailed)**
20-30 Years	Yes	67	0.88	0.5	0.000
	No	9	0.12		
	Total	76	1		
30-40 Years	Yes	48	0.59	0.5	0.15
	No	34	0.41		
	Total	82	1		

40-50 Years	Yes	101	0.67	0.5	0.000
	No	49	0.33		
	Total	150	1		
More than 50 Years	Yes	3	0.27	0.5	0.226
	No	8	0.73		
	Total	11	1		

Source: Primary Data

Tabel 5.2 represents number of respondents of different age groups owning and not owning Mutual fund:

The results of binomial test presented in the table 5.2 shows that the p-value for the age groups 20-30 years and 40-50 years is less than 0.05 hence alternate hypotheses, ***"There is significant difference in the number of respondents owning mutual fund and not owning mutual fund"*** is accepted at 5% of level of significance for the age groups 20-30 years and 40-50 years. This proves that the number of respondents of these two age groups who owns mutual fund is more that the number of respondents who do not own mutual fund.
In the age group 30-40 years, 48(59%) out of 82 owns mutual fund and 34 (41%) does not own it, however the p value of this age group is more than 0.05 hence the null hypothesis, ***"There is no significant difference in the number of respondents owning mutual fund and not owning mutual fund"*** is accepted at 5% level of significance. Similarly the null hypothesis for the age group more than 50 years is accepted.

Frequency distribution and the test results of binomial test for the number of respondents of different age groups owning and not owning Bank deposits if presented in table 5.3:

Table 5.3

Age	**Owned Bank Deposits**	**N**	**Observed Prop.**	**Test Prop.**	**Asymp. Sig. (2-tailed)**
20-30 Years	Yes	0	0	0.5	0.000
	No	76	1		
	Total	76	1		
30-40 Years	Yes	19	0.23	0.5	0.000
	No	63	0.77		
	Total	82	1		
40-50 Years	Yes	123	0.82	0.5	0.000
	No	27	0.18		
	Total	150	1		
More than 50 Years	Yes	11	1	0.5	0.001
	No	0	0		
	Total	11	1		

Source: Primary Data

From the above table it can be observed that the p-value for all the age groups is less than 0.05, the null hypothesis, ***"There is no significant difference in the number of respondents owning bank deposits and not owning bank deposits"*** is rejected at 5% level of significance for all age groups**.** However in the age group of 20-30 years and 30-40 years the number of respondents not owning bank deposits is more than that of those who owns the same. On contrary to this, the number of respondents in the age group 40-50 and more than 50 years, more number of respondents has invested in bank deposits. Hence the investors in the age group 20-30 years and 30-40 years do not prefer bank deposits for creation wealth. On the other hand the respondents having age 40 or more opined that bank deposits are reliable tool of wealth creation.

VII. DISCUSSION AND CONCLUSIONS:

Investment and wealth creation has a deep-rooted history in India. The traces of the same can be found in various ancient writings. Different tools for investments and wealth creation changing their form as well as acceptance with the time. Currently various investment and wealth creation tools are available for an investor. According to the nature of investment, associated risk and returns, characteristics of the tool etc.; the researcher categorized them into eight broad categories. The choice of the wealth creation tool is largely depends on various factors such as need, impact of referral groups, risk appetite of investor etc. Therefore, the study was carried out to understand the life wealth creation tool buying pattern.
The study concludes that the traditional investment and wealth creation tools such as Life insurance policy and bank deposits are still enjoying the positions in first three most preferred investment tools. They stood at first and third respectively among various investment tools. Relatively new investment and wealth creation tool 'Mutual fund' stood second in the ranking. The study also reveals that, the majority of the respondents (91%) who are owning Mutual funds had purchased the same during last 3 years. On the contrary to this investor base of Life insurance policy and bank deposits is increased by 5% and 37% respectively during the same period. This confirms that the Mutual fund had gained popularity and acceptance during last few years and if such pattern continues soon it will become most popular and most preferable investment and wealth creation tool.

VIII. SCOPE FOR FUTURE RESEARCH:

The study can be extended to more number of variables such as different income groups, different education qualification, and different personality traits and lifestyles of investors. The future studies may further investigate reasons for differences between different consumer groups. The study reveals that mutual fund has gained wide acceptance and it is become most preferred investment tool, a further study can be carried out to identify the reasons for gaining such popularity during recent years.

IX. IMPLICATIONS OF THE STUDY:

This study discusses the buying pattern of wealth creation tools and investment product across different categories of age. It also discusses the factors influencing the decision of investment. Hence this study would be helpful to the financial institutions offering various investments and wealth creation tools for designing the product. The result of the study will be helpful to the financial institutions in framing their marketing strategies so that promotional efforts of their product can be made more focused.

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