

AN ATTITUDINAL STUDY OF GEN Z INVESTORS TOWARDS FIXED DEPOSIT AND SYSTEMATIC INVESTMENT PLAN (SIP).

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Abstract

Investment is essential for prioritizing saving with the goal of achieving favorable returns and maintaining financial stability. It enables asset growth, passive income generation, inflation protection, and provision for future expense. With expanded access to diverse investment options, a majority of Gen Z young adults are actively participating in investment activities. Understanding Gen Z investment patterns is crucial for predicting future economic trends and ensuring relevance in a market shaped by their unique values and behaviors. This paper attempts to study Gen Z investors preferences between Fixed Deposits (FDs) and Mutual Fund - Systematic Investment Plan (SIP). It explores their behaviors and attitudes towards these investment options, providing insights into their financial decision-making. Data was collected from 100 Gen Z investors through structured questionnaire. The collected data was analyzed using appropriate statistical tools. The findings of the study reveal that Gen Z investors are inclined towards Mutual Funds - Systematic Investment Plan (SIP) over traditional Fixed Deposits, as it's driven by their expectations of higher returns. Ultimately, the study contributes to a deeper understanding of investor preferences and behaviors, which can inform financial institutions and investment managers in customizing their financial products and services to meet the needs of investors.

Keywords: Investments, Investor Attitudes, Fixed Deposits, Systematic Investment Plan (SIP).

INTRODUCTION

Investment constitutes a crucial aspect of an individual's financial landscape, entailing the strategic allocation of funds with the aim of yielding profitable returns. Essentially, it involves deploying saved resources, which were set aside by deferring consumption, to acquire tangible or intangible assets, anticipating positive future gains. In recent decades, there has been a perceptible change in the investment attitude among people in India. While mutual funds were traditionally perceived as a last resort after exhausting other options, contemporary young investors are increasingly inclined towards Systematic Investment Plans (SIPs) as their preferred investment avenue.

In today's rapidly evolving financial landscape, investment has emerged as a fundamental strategy for individuals seeking to prioritize savings while aiming for favorable returns and sustaining financial stability. The act of investment not only fosters asset growth but also facilitates passive income generation, guards against the erosive effects of inflation, and serves as a means of provisioning for future expenses. As access to a diverse array of investment options continues to expand, there has been a noticeable surge in the participation of Gen Z young adults in investment activities.

Understanding the investment patterns of Gen Z individuals holds immense importance in accurately predicting future economic trends and ensuring the continued relevance of financial institutions and investment practices in a market shaped by their unique values and behaviors. This study endeavors to explore the investment preferences of Gen Z investors, specifically focusing on their choices between Fixed Deposits (FDs) and Mutual Fund - Systematic Investment Plan (SIP).

By delving into the behaviors and attitudes of Gen Z investors towards these two distinct investment options, this research aims to shed light on their financial decision-making processes. Through the collection of data from a sample of 100 Gen Z investors via a structured questionnaire, this study employs appropriate statistical tools to analyze the gathered information.

Ultimately, the insights gleaned from this study contribute to a deeper understanding of investor preferences and behaviors within the Gen Z demographic. Moreover, the findings hold significant implications for financial institutions and investment managers, providing valuable guidance in customizing their financial products and services to effectively meet the evolving needs and preferences of Gen Z investors.

NEED AND IMPORTANCE OF THE STUDY

Understanding the investment preferences and behaviors of Gen Z investors is crucial for financial institutions and investment managers to stay relevant in a market shaped by their unique values and behaviors. With expanded access to diverse investment options, a majority of Gen Z young adults are actively participating in investment activities, making it essential to study their investment patterns. This study aims to explore Gen Z investors' preferences between Fixed Deposits (FDs) and Mutual Fund - Systematic Investment Plan (SIP), shedding light on their behaviors and attitudes towards these options. By gaining insights into Gen Z's financial decision-making processes, this research contributes to a deeper understanding of investor preferences and behaviors, providing valuable information for customizing financial products and services to meet the needs of this demographic.

LITERATURE REVIEW

Mishra, 2023 This empirical study delves into the investment preferences of salaried individuals, seeking to grasp how they navigate investment decisions and what factors shape their choices among diverse investment avenues. It entails gathering data through surveys or interviews from a sample of salaried individuals to scrutinize their investment decisions, risk tolerance, financial objectives, and familiarity with investment options. The study's outcomes hold the potential to offer valuable insights into the investment behavior of salaried individuals, enabling financial institutions and policymakers to refine investment offerings services tailored to meet the needs. **Mehak Gulati, 2020** A notable portion of respondents claimed to possess fair investment knowledge, with a majority opting for online investment platforms and basing their financial decisions on modern trends. Fixed deposits emerged as the preferred investment avenue among salaried individuals, with the banking sector being the most favored for investment purposes. **Nair and Sai. N, 2015** found out many factors affecting investment decision on mutual funds and its preference over retail investors. Research into mutual fund investment decisions by retail investors highlighted key factors influencing preferences, such as tax benefits, high returns, and capital appreciation, notably favoring equity-based schemes. Despite mutual funds being acknowledged as vital financial intermediaries, past negative experiences significantly deterred investment, affecting decision-making. Overall, investor satisfaction with mutual funds was deemed average, reflecting the complex interplay of factors shaping investment behavior among retail investors.

Kaur. K 2015 aimed to broaden the investor base for mutual funds in India; Research identified that awareness, perception, and socioeconomic characteristics influenced investors' decisions. Improved awareness about mutual funds positively impacted investment decisions, while risk perception did not significantly affect them. Socioeconomic factors such as age, gender, occupation, income, and education also played a role in shaping investors' awareness levels.

Bhushan, 2014 The higher financial literate groups have high level of awareness for all the different financial assets apart from the post office savings as was popular and preferred by most of the employees in public sector.

OBJECTIVES OF THE STUDY

1. To understand the behavior of Gen Z investors towards Fixed deposit and Systematic Investment Plan (SIP).
2. To analyze investors perception towards interest returns on Fixed Deposits and Systematic Investment Plan (SIP).
3. To identify factors influencing investment decisions.

Hypothesis

- H₁ - Investor preferences differ significantly between Fixed Deposits and Systematic Investment Plans (SIP).
H₂ - There is significant influence of various factors on Gen Z investment decision.

RESEARCH DESIGN AND METHODOLOGY

The present research study investigates Gen Z attitude towards Fixed deposit and Systematic Investment Plan (SIP).

Participants:

Primary Data was collected using structured questionnaire distributed to 100 Gen Z investors.

DATA ANALYSIS

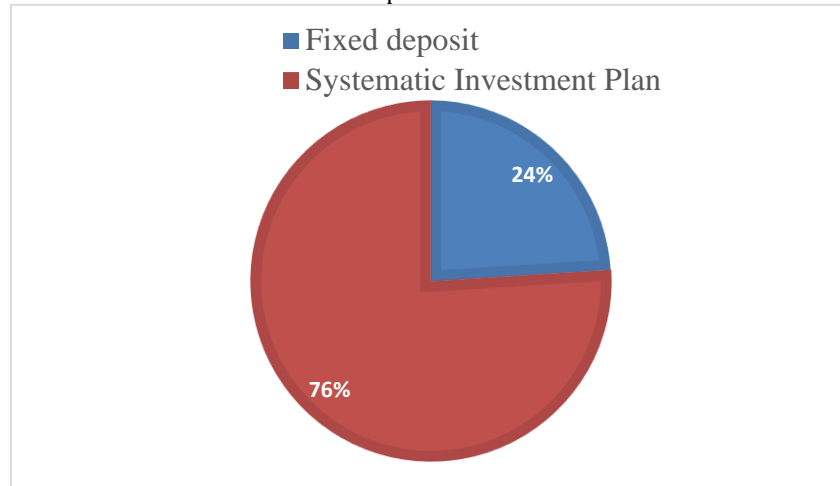
The collected data was analyzed & interpretation is conducted using statistical tools and tables.

H₁ - Investor preferences differ significantly between Fixed Deposits and Systematic Investment Plans (SIP).

Table no. 1.1:

Investments	No. of respondent	Respondent in percentage
Fixed Deposit	24	24%
Systematic Investment Plan	76	76%
Total	100	100%

Graph no. 1.1A:



Interpretation:

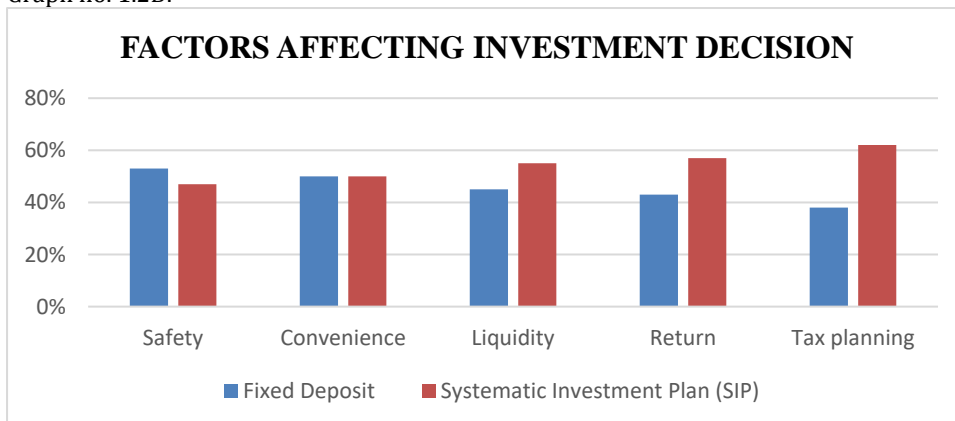
From the table 1.1 and figure 1.1A, the majority of respondents, comprising 76%, exhibit a preference for investing in Systematic Investment Plan (SIP) over Fixed Deposit, which accounts for 24% of the respondents. This indicates a prevalent inclination towards SIP, potentially driven by its ability to generate higher returns compared to the relatively stable yet lower-yield Fixed Deposit option. This indicates a significant difference between investors preferences towards different investment avenues. Hence, hypothesis H₁ is accepted.

H₂ - There is significant influence of various factors on Gen Z investment decision.

Table no. 1.2:

Factors affecting investment decision	Fixed Deposit	Systematic Investment Plan (SIP)
Safety	53%	47%
Convenience	50%	50%
Returns	45%	55%
Liquidity	43%	57%
Tax Planning	38%	62%

Graph no. 1.2B:



Interpretation:

Analysis of Table 1.2 and Figure 1.2B reveals investor preferences between Fixed Deposits and Systematic Investment Plans (SIPs) based on key factors influencing investment decisions. While Fixed Deposits are deemed slightly safer (53%) and equally convenient (50%) compared to SIPs, the latter are favored for their higher potential returns (55%), greater liquidity (57%), and superior tax planning advantages (62%). This indicates a prioritization of factors like returns, liquidity, and tax planning over safety and convenience when selecting investment avenues. The findings support the alternative hypothesis H2, underscoring the significant impact of liquidity, returns, and tax planning on investment decisions, leading to a preference for SIPs among investors.

CONCLUSION

From the above research it can be concluded that, investors show a clear preference for Systematic Investment Plans (SIPs) due to their potential for higher long-term returns. Additionally, SIPs are favored for their enhanced liquidity and superior tax planning benefits compared to Fixed Deposits (FDs), indicating a prioritization of factors like returns, liquidity, and tax planning over safety and convenience in investment decisions. This underscores the importance placed by investors on long-term growth potential and the relationship between returns, liquidity, and tax planning when evaluating investment options. The strong inclination towards SIPs reflects a strategic shift towards investment avenues that promise higher returns and align with investors' long-term capital appreciation goals, showcasing an evolving approach to investment decision-making where factors beyond traditional safety and convenience measures play a pivotal role.

SUGGESTIONS

In light of these findings, it is recommended that financial institutions and investment managers focus on offering innovative and user-friendly investment products and services tailored to the preferences and behaviors of Gen Z investors. Emphasizing the potential returns and long-term growth opportunities of investment options, particularly Systematic Investment Plans (SIPs), can resonate with Gen Z's aspirations for asset growth and passive income generation. Additionally, ensuring the safety and security of investment options is crucial to instilling confidence among Gen Z investors. Providing convenient and accessible investment platforms, along with flexible liquidity options, can further meet the needs of this demographic. Overall, by aligning their offerings with the preferences and priorities of Gen Z investors, financial institutions and investment managers can effectively attract and retain this segment of investors while fostering their financial success and security.

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