
AN ANALYSIS OF CUSTOMER PREFERENCES AMONG AVAILABLE INVESTMENT PRODUCTS IN BANK: A STUDY IN VAISHALI (BIHAR)

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ABSTRACT

In order to analyse customer preference, firstly, there is a need to identify their demographic as well as psychographic characteristics such as age, income, gender, attitude and so on that facilitates in arousing customers interest towards different investment products. The purpose of this study is to analyse preferences of customers towards various investment products in banks in Vaishali, Bihar. The factors influencing an investment include principal security and liquidity, income stability, tax planning as well as capital revaluation. The investors can invest their excess cash in variety of investment products like saving account, fixed deposit account, insurance, real estate, commodities, equities, mutual funds, gold, silver etc. Further, they can invest on the basis of their risk bearing ability. Investment risk cannot be eliminated as a whole, however it can be minimised up to a certain level through diversification. In this study, the researcher has concluded that the investment decision is influenced by family members and friends. But sometimes it is also affected by the advisor when the product is strongly understood. Self-decision is very rare while selecting investment products.

Key words: Customer preference, investment, income stability, risk bearing, diversification.

Cite this Article: ROOHI NAAZ, Rupa Khanna Malhotra and Sristy Jaiswal, An Analysis of Customer Preferences Among Available Investment Products in Bank: A Study in Vaishali (Bihar), *International Journal of Management (IJM)*, 11(5), 2020, pp. 1928-1937.

<https://iaeme.com/Home/issue/IJM?Volume=11&Issue=5>

1. INTRODUCTION

Investment is an activity that is based on savings. The financial system plays an important role in boosting investment activity in an economy. Now a day's customers are very much alert and attentive towards variety of available investment options. The behaviour of each and every investor is different towards the investment products. They are sufficient enough to establish a connecting link between their investment preferences and various investment alternatives available in the market. Investors should select their investment options by successfully comparing the risk and reward associated with each investment option as well as by connecting their interest areas with the investment options.

Talking about consumer preferences on the same, we have different factors for a different type of consumers that distinguish their preferences on their terms. Indian banking system should focus more on customer service and for this they should continuously keep on updating their services as per the customer's requirements. From the very beginning, Central bank is actively reviewing, examining, and evaluating the quality of customer service in various banks. RBI in addition to monitoring the activities of the various commercial banks also lays emphasis on development of people and consumer services. In this research paper, researcher has made an attempt to identify and assess different investment preferences of investors in Vaishali (Bihar).

2. OBJECTIVES OF THE STUDY

- To evaluate the preferences of customers availing the investment products of a bank.
- To enable banks to determine the types of products being offered to the customer.

3. REVIEW OF LITERATURE

Chaubey. S.D., Dimri, Praveen. R., (2008) explains that investment opportunities have increased all over world because of liberalisation and globalisation.

Manish.M.& Vyas R.K., (2009) in their research paper analyzed various psychological as well as emotional shortcomings that may affect their investment choices.

Pratap. S. B., (2012). Explains that there is less investment awareness towards different investment avenues among the customers.

Palanivelu. VR., Chandrakumar. K., (2013) concluded in their research work that age, education and investment awareness plays an important role in investment related decisions of working class people.

Mathi. M. K. &Kungumapriya. A., (2014) states that investment plays a significant role in economic development as a whole by accelerating the flow of capital formation.

Tyagi.S., Tiwari., &Garg.V., (2018) examines that the investment behaviour is based on various demographic as well as pscographic features. Various parameters like age, gender, attitude plays an important role in guiding an investor towards investment. Investors invest in various options on the basis of their risk bearing ability.

Dewan. A., Gayatri. R., Dewan. R., (2019) identifies four important factors that helps in guiding the behaviour of investors. These four factors are related to investors, related to environment related to investment and company specific factors.

4. RESEARCH METHODOLOGY

The study is based on Vaishali district of Bihar. The present study is focussed on finding the customer preferences towards different available investment products in bank in vaishali

(Bihar). The analysis of the study is based on both primary data. A sample size of 100 customers has been selected for this study from Vaishali, Bihar.

5. RESEARCH QUESTIONS

- Do people have a bank account? If yes, what type of bank account they have, and if no, do they want to avail bank account and of what type?
- Is the customer aware of all the products which are available in banks?
- What are the factors responsible for the type of account they avail and is there any Role of locality, income, education qualification, and age in selecting bank products?
- Mode of transaction which customer prefer and how do they transfer money through a bank?
- How often does a customer visit bank?
- Which type of services customers mostly avail of and plan/objective for their investment in services?
- Who influences the people to invest in a bank?
- What type of investment duration do they prefer while availing products?

6. DATA ANALYSIS AND INTERPRETATION

6.1 People with and without Bank Account

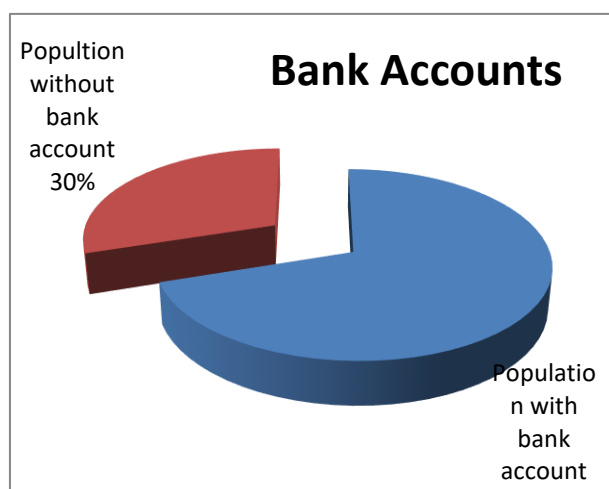


Figure1

Source: Primary

Fig 1 clearly shows that among the sample of 100 customers, there are 70% of the population who has their bank account and 30% of the population do not have bank account. Those who don't have a bank account are students who live with their family or students who live far from home for their studies don't have much time to visit a bank. Some students don't have their bank account due to their parent's low income or less awareness of the need for a bank account. Most females don't have their bank account as they think there is no need for it and if there will be a need they can use their husband's or any family member's account. Rarely there is a man of (25-55) age who don't have their bank account.

6.2 Types of Accounts

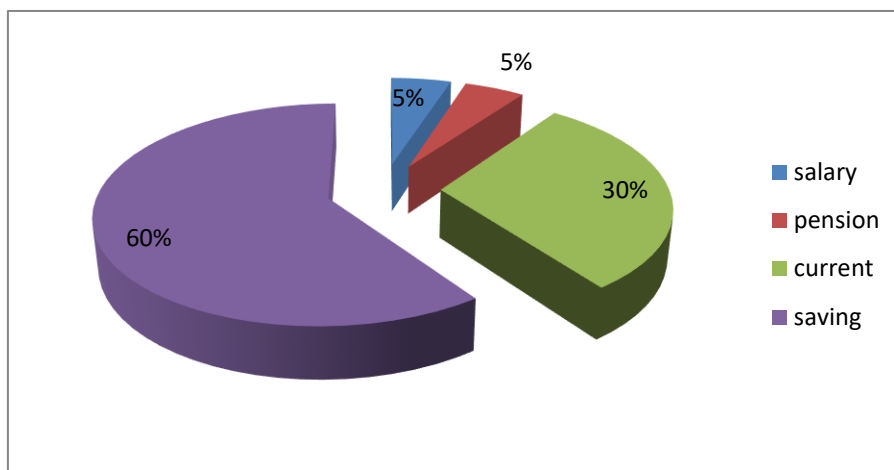


Figure 2

Source: primary

Fig 2 indicates that most of the people, 60% of customers have saving account as savings accounts, 30% of the population has current accounts. Businessmen, public enterprises, and firms mostly have a current account. Only 5% of the population has a salary account. 5% of the population has a pension account. Those who retired from their job, mostly person above 60 yrs have a pension account in a bank.

7. RESEARCH ANSWERS

7.1 Annual Income Range

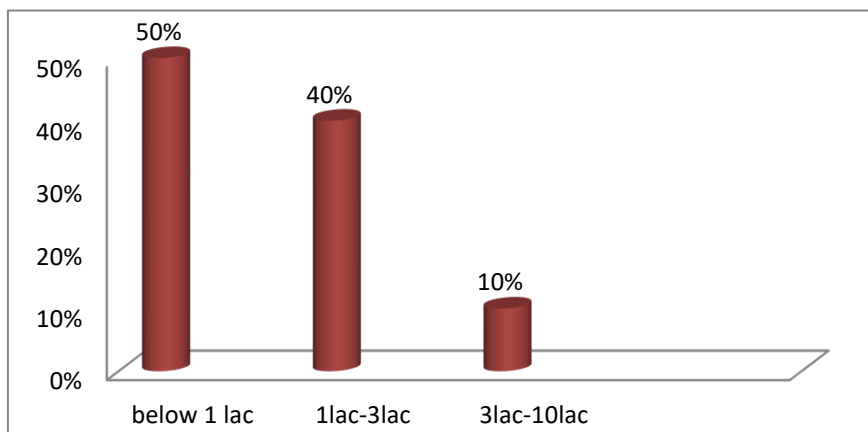


Figure 3

source: primary

As per the above figure, no. of people in percentage is shown on the vertical line of the chart and their income range is shown on the horizontal line of the chart. It can be seen that 50% of the population is below 1 lakh annual income. These people either are students who are studying or people who do small business, work in fields, drive an auto-rickshaw, etc. People whose income range is 1lac-3lac are a middle-class man who does jobs for others or has their shops. 40% of the population comes under this range. Most businessmen are those whose annual income range is 3lac- 10lac. These are 10% of the population.

7.2 Type of Transaction Preferred

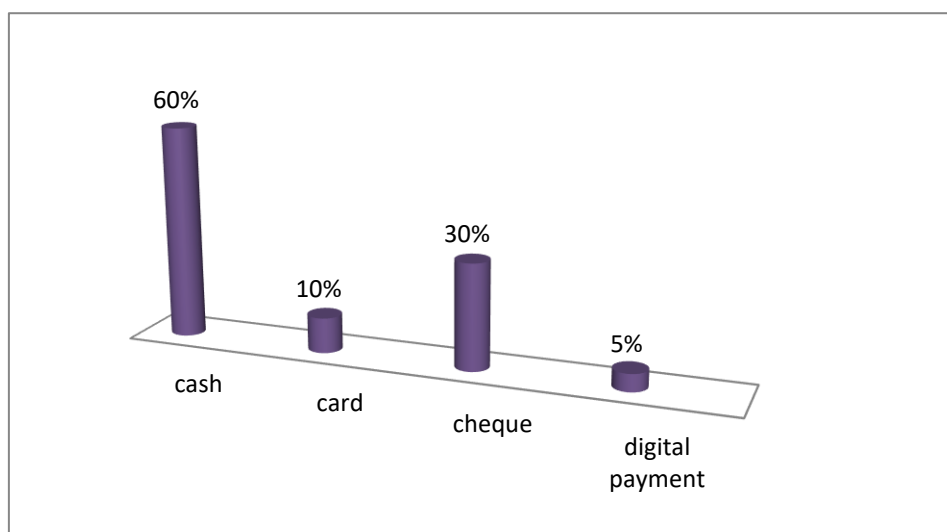


Figure 4

Source: primary

In the above graph, the mode of payment is shown on the horizontal line and the percentage of people using that mode of transaction is shown on the vertical line. It can be seen that 60% of the population use cash for their transaction, the reason is these people either don't know to use a card, cheque, or digital payment or they think it is the easiest mode of payment. 10% of the people use the card for transactions or payment as they believe the card is easy to carry in comparison to money. 30% of the population uses cheques as a mode of payment and only 5% of the population uses digital payment, these are mostly students.

7.3 Comparison Between Mode of Transaction

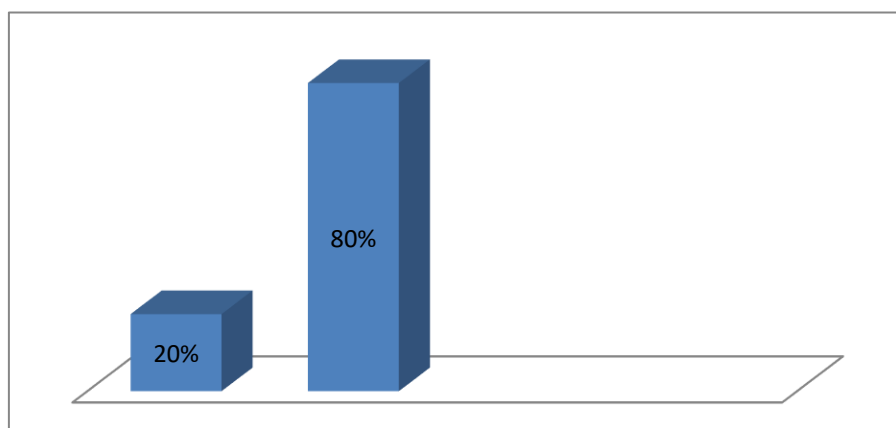


Figure 5

Source: primary

Interpretation: In fig.5 it is clearly shown that the mode of transaction i.e. online and offline is shown on the horizontal axis and the percentage of population among the total population is shown on the vertical axis. 20% of the total population uses the online mode of the transaction while 80% of the total population uses the offline mode of transaction. According to their convenience people use the mode of transaction.

7.4 How Often Do People Visit The Bank

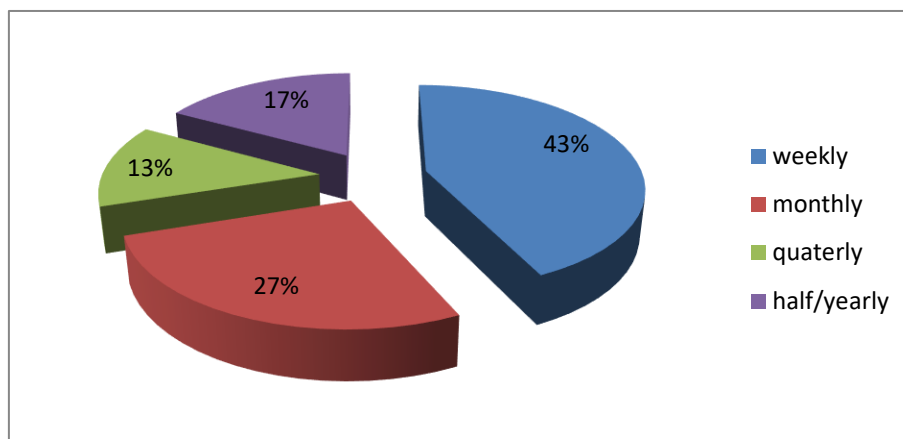


Figure 6

Source: primary

In fig.6 it is shown that among the total population who is availing bank products, 43% of the people visit banks weekly. 27% of the population go bank once a month, 17% of them visit the bank in 6 months or once a year. 13% of them visit every quarter. This states that the people visit banks according to their needs.

7.5 Plans/objectives of Investment in Bank

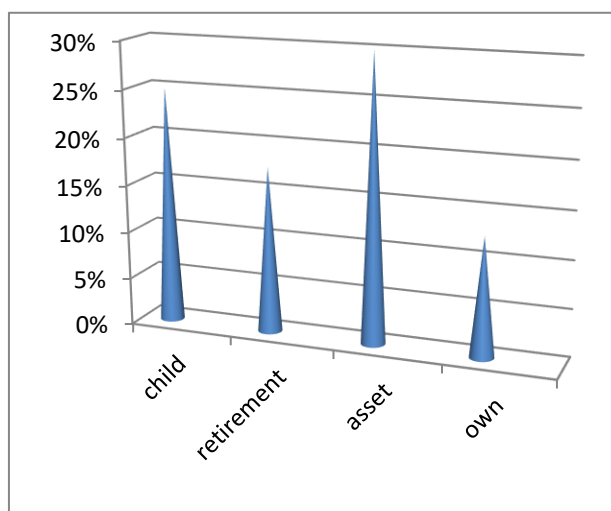


Figure 7

Source: primary

In fig.7, the Purpose of investment is shown on the horizontal line while the percentage of people availing that investment is shown on the vertical line. Half of the population invest in child education, 17.5% of them invest for their retirement. Most of the population invest for asset creation and very few of them invest for other purposes like for their savings, future needs, or emergency. The reason behind investment on their own is very less because they care more about their family and children. Doing for them is so much that there is nothing left for their sole purpose.

7.6 People Availing Services

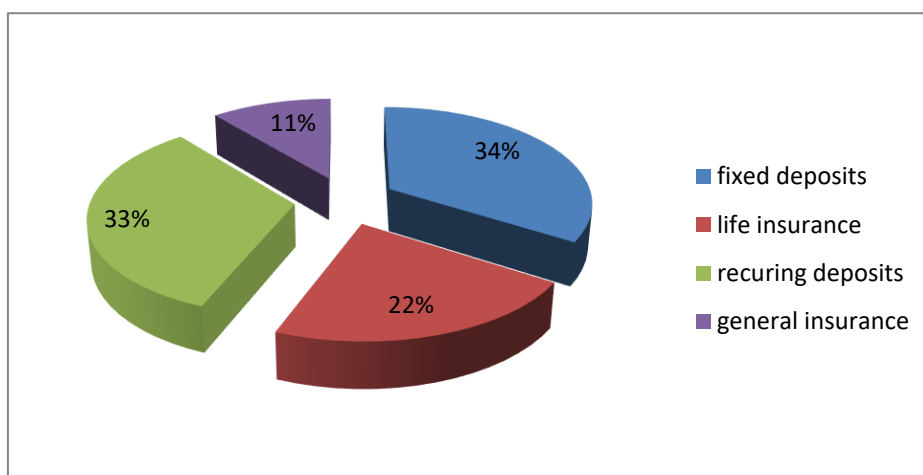


Figure 8

Source: primary

fig.8, show 11% of the total population who has bank account avail general insurance. 22% of people avail life insurance. 33% of people avail of recurring deposits and 34% of the people avail fixed deposits.

7.7 Duration of Investment

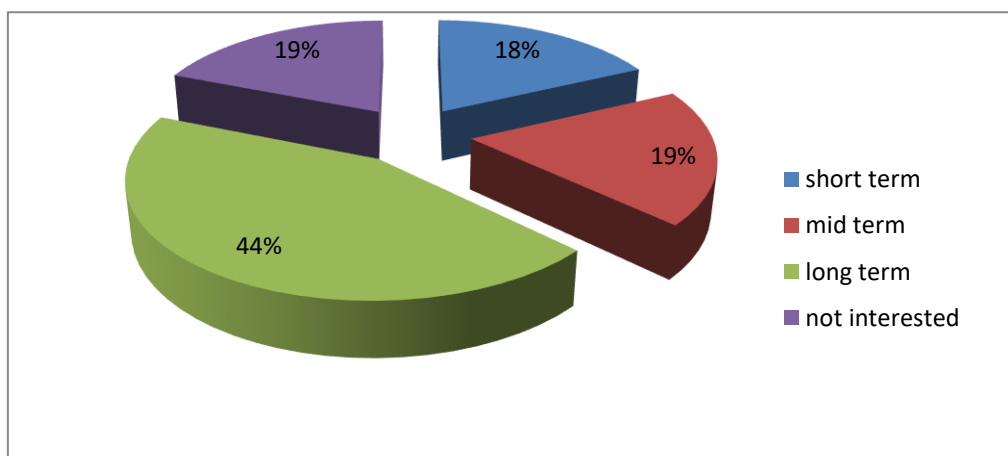


Figure 9

Source: primary

Above chart shows that 44% of the total population invest for the long term which is 5 years or more for family, child education, etc. 19% of the population invest for mid-term that is 6 months to 5 years. 18% of them do invest for short term i.e. less than 6 months. There are 19% of the population who are not at all interested in investing in banks' products. The reason may vary according to a person's age. Those who are (18-35) years of age do not believe in investing. They rather prefer to spend their savings for enjoying their vacation.

7.8 Investment Influencing Factors

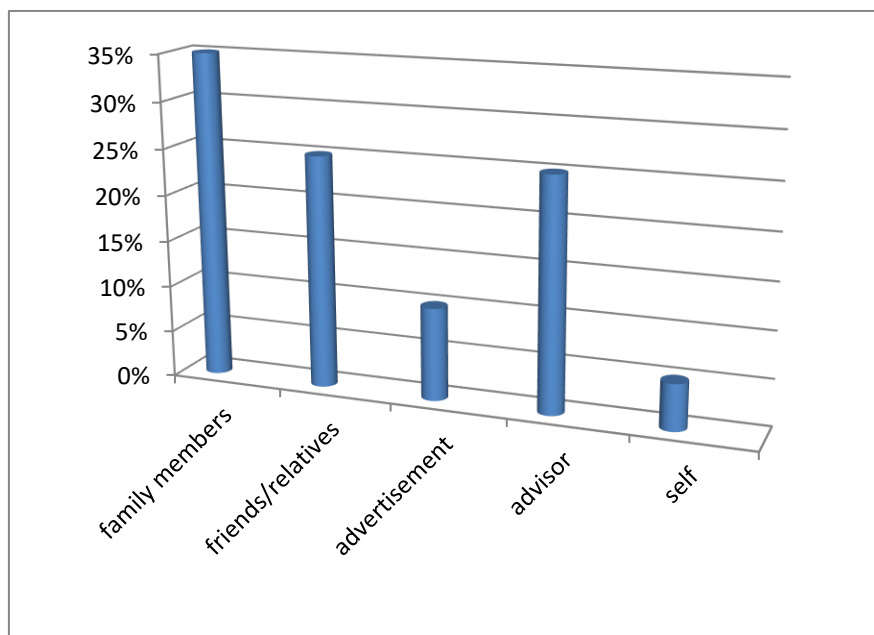


Figure 10

Source: primary

In fig.10 through the horizontal axis there it is shown by whom the investment is influenced and on the vertical axis percentage of people influenced by them are mentioned. Self-awareness is 5% which is very less. 10% of people among the population are aware and influenced due to advertisements on television, mobile, and through the newspaper. 25% of people are influenced by friends/their relatives and by the advisor of the bank. Family member plays a crucial role in influencing for investment. Here trust is the key objective in influencing anyone.

8. VFINDINGS

70% of consumers have their accounts in the bank among which 60% have saving accounts. About 40% of customers have below 1 lakh annual income and only 10% of customer has more than 3 lakh income annually. The digital transaction is only 10% and the rest of the people prefer offline transactions using cheques and cash. Age between 18 to 35 years of customer prefers digital payment or transaction who are also educated. Education also plays a major role in preferences made by people. Customer visit to bank depends on their requirements which may range from weekly to yearly. Regular visitors are current account customers. Customer who comes under age (17-35) years has mainly saving account and do not invest in a life insurance policy or recurring deposits type of investments. Customers prefer FD and RD over Life insurance to invest. FD and RD are considered safe modes of investment. Customers prefer offline investment rather than online. They do ask for a paper of certificate after investment. Investment duration depends upon the requirement of the fund in the future. For short-duration customers prefer FD and RD. for long-duration customers prefer life insurance and pension schemes.

9. SUGGESTIONS

Today`s customers are different as compared to the old ones. Customers nowadays are more advanced. They are more interested in quick and more return on their investment. Following suggestions can be considered by banks for improving the personalized service and selling the right products to the right customer.

- Investment habits should be developed at an early age.
- A small investment amount attracts more customers towards a goal so the bank may pitch SIP or RD to customers to add investment products.
- Younger age people are less interested in investment but this is the right time to start early with a small amount.
- Customer of (25-40) years of age is more interested in life insurance for the safety of their family income after uncertainty. So these customers can be pitched with a life insurance product with long tenure.
- Customers are less aware of general insurance products, so more awareness may return in more policy and coverage.
- Customers with higher income are interested in FD& life insurance both. FD for short-term objective and life insurance for a long-term objective.
- Customer hesitates to start digital transaction but once start, they use more and more of digital mode. So the suggestion is to make the customer aware of digital banking.
- Self-decision making is less while decision influenced by other is more and this is due to less awareness towards financial products.
- Customers are scared of mutual funds and they have less belief in mutual funds. So mutual funds should be promoted for the short term as well as a long-term objection by the bank agents.
- Banks should inform every customer to read all scheme-related documents carefully before investing.

10. CONCLUSION

Investor education plays a crucial role in guiding their decisions for investment. There is a need on the part of investors to collect and analyse necessary information regarding investing be it via internet or seeking investment advice from friends or colleagues as well as investment professionals. There are investors who give more preference to investment in savings account, followed by gold and silver, time deposit accounts and other such options. This study concludes that there are various factors like age, gender, income, education and occupation that have a major impact on the investment decision of the investor.

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