



Research Paper

A Study of Investment Behavior of Millennials in Mumbai City

Pranav Sawant¹
[MET IOM]

Bhushan Terdal²
[MET IOM]

Sanket Pupala³
[MET IOM]

Abstract

The aim of this research study is to understand the relationship between investment decisions amongst MILLENNIAL investors. A hypothesis testing was done to analyze the behavioral biases such as financial literacy, herding, risk attitude, investment decisions and information search to study the linkages making strategic judgements and formulating trading rules is made easier by analyzing the behavioral elements in conjunction with the decision-making abilities of millennial investors. An investigation of the effects of behavioral biases on millennial investors in Mumbai, Maharashtra used a sample survey of 71 genuine respondents. The survey was conducted in April 2023. By applying statistical Chi square test and P values confirmatory factory analysis is conducted to check the validity measures and path analysis is performed on how behavioral finance and investment decisions are connected. The result shows that biases such as age and gender have little to no impact on the investing choices made by investors in the millennial (Generation Y) generation.

Keywords: Financial Literacy, Herding Behavior, Risk-Averse, Investment Decisions, Millennial, Investment Behavior.

Received 16 August, 2023; Revised 31 August, 2023; Accepted 03 September, 2023 © The author(s) 2023. Published with open access at www.questjournals.org

A Study of Investment Behavior of Millennials in Mumbai City

India is the fastest growing economy in the world as well as a nation with a growing population. When we look at the demographic distribution of India it is noted that 52% of the Indian population consists of Gen Y and Gen Z, while the average of the rest of the world comes at 47%. While the Gen Y covers 34% of the population and they are the primary earners in the country compared to Gen Z, it becomes essential to study the investment behavior of the Millennials (Gen Y) as they are the ones who are going to mold and reshape the economy in the coming years or so. This research paper aims to do the same. We identified specific parameters considered by the millennials while making an investment decision and based our study on them. The parameters are Financial Literacy, Risk-averse, Information Search and, Study of herding behavior.

Millennials:

Millennials, commonly referred to as Gen Y, are people who were born between 1981 and 1996. As of right now, they range in age from 25 to 40.

Investment Behavior:

The behaviors and choices an individual makes when investing money in financial assets or other types of investments are referred to as investment behavior.

Numerous variables, including individual objectives, risk tolerance, market conditions, economic indicators, and financial literacy, might affect investment behavior. Different investment behaviors may be used by people with various goals and objectives.

Herding Behavior:

Herding behavior, according to Liem and Sukamulja (2017), is a type of follow-up behavior when one investor follows another investor for a variety of reasons and circumstances. Making the same financial decisions as the

majority is the most common mistake made by investors. The influence of others around an investor is the primary contributor to their tendency to herd. Herding behavior describes a person who is easily influenced by the opinions of others and modifies their investing decisions (Gozalie & Anastasia, 2015).

Risk-averse:

An investor who avoids risk is said to have a risk-averse mentality, or the investor may only invest if the expected gain surpasses the risk (Sudana & Sallama, 2015). Investors who are risk averse seek to avoid losses in order to avoid making bad investment decisions (Irjayanti, 2017). In the opinion of Farooq & Sajid (2015), risk aversion can be distinguished by a number of characteristics, including rationality, the willingness to forego risk, and the desire to maximize wealth when faced with difficult decisions.

Information Search:

Information Search refers to the study an investor does before making investment decisions. This is a key factor to be considered before taking final investment decision. Different investors have different goals, depending upon the ultimate goal the Information Search parameter varies. Selecting the right source for the search of information is essential as it can hamper the investment decision or the result.

Literature Review:

Aang Kunaifi, Ahnan Naufa Fadlil Akbar (2019) They stated in their research report that the study is related to how Indonesia's millennial generation invests. Three factors are employed in their study to explain why millennials choose to open an investing account or unit. The conclusion is that investing behavior is favourably correlated with financial understanding. According to the findings, individual factors like gender and age have an impact on investment behavior. The likelihood of having an investing account is higher for women.

Riska Rosdiana (2020) In her research article, she analysed how the goal of the study was to ascertain the impact of financial literacy, behavior, risk aversion, and risk on investing choices in the millennial and Z generations. Respondents are professors, staff members, and students between the ages of 15 and 39 who are employed by the Faculty of Economics and Business at Mercu Buana University. The findings demonstrated that investing decisions are positively impacted by financial knowledge, herding behavior, risk aversion, and risk perceptions.

Kyoung Tae Kim, Martin C. Seay, Somer Anderson (2019) According to this study, millennials confront three problems: complicated financial markets, a lack of financial resources, and a lack of time and money. Therefore, there are three policies to look into: (a) reducing market complexity in decision-making; (b) improving people's ability to assess financial behaviors; and (c) expanding accessibility to products that encourage good financial behavior. Additionally, it was advised that financial coaching and counselling specialists should provide customers with financial assistance at a reasonable cost, increasing access to financial products that encourage good financial behavior.

Millennials' risk appetite has been a subject of interest, with studies indicating that they may exhibit more risk-averse behaviors than previous generations due to witnessing the 2008 financial crisis during their formative **years (Deloitte, 2020)**. However, contradictory findings suggest that their risk appetite varies based on factors like income, education, and financial literacy. Research by **Hanna and Lindamood (2010)** emphasizes the need to consider individual differences when assessing millennials' risk preferences.

Objectives:

1. To study the investment behavior of millennials in Mumbai city.
2. To understand the factors influencing investment decisions.
3. To analyze the pattern of investment.

Hypothesis:

H01 The decision to invest has a substantial association with gender.

Ha1 The decision to invest has no association with gender.

H02 Age and investment decisions are correlated.

Ha2 Age and investment decisions are not correlated.

Research Methodology:

The study is based on primary data and secondary data.

Primary data:

Primary information was gathered from chosen respondents using a standardized questionnaire. Convenient random sampling was used to choose the respondents.

Secondary data:

Both published and unpublished sources were used to gather secondary data. Additionally, websites were used for a limited amount of secondary data.

Sampling Size:

Data was collected from 71 respondents through structured questioner.

Limitation of Study:

Habits of millennials belonging only belonging to Mumbai city is studied in this research.

DATA Analysis:

Table No.: 1 Gender, Age, Educational Qualification and Occupation

Gender	No. Of Respondents	Percentage (%)
Male	52	73.23
Female	19	26.77
Total	71	100
Age		
24-30	59	83.10
31-37	6	8.45
38-43	6	8.45
Educational Qualification		
SSC(10th)	-	
HSC(12th)	1	1.40
Degree	32	45.08
Post-Graduation	38	53.52
Occupation		
Self employed	9	12.67
Salaried	36	50.70
Professional	9	12.67
Other	17	23.96

Source: Field Survey

The above-mentioned table shows that 26.77% of respondents are women and 73.23% of respondents are men. This shows that there are more men than women in the population. The chart suggests that 83.10 percent of respondents fall into the 24 to 30 age group, followed by 8.45 percent of respondents in the 31 to 37 age group, and 8.45 percent of respondents in the 38 to 43 age group. According to the aforementioned data, out of the 71 responses, the majority (53.52%) hold graduate degrees, followed by degree holders (45.08%), and HSC students (1.40%). The data indicates that the bulk of respondents (50.70%) are salaried workers, followed by self-employed people (12.67%) professionals (12.67%), and other respondents (23.96%).

Table No 2: Total Percentage of Investment out of Annual Income

Investment Percentage (%)	No. Of Respondents	Percentage (%)
Less than 10%	19	26.76
11%-20%	17	23.94
21%-30%	22	30.98
31%-40%	8	11.26
41%-50%	3	4.22
More than 50%	2	2.81
Total	71	100

Source: Field Survey

From the table above, it can be seen that 26.76% of respondents invest less than 10% of their income overall, 23.94% invest between 11% and 20%, and 30.98% invest between 21% and 30%. 11.96% of respondents made an investment between 31% and 40%, and 4.22% made an investment between 41% and 50%. Only 2.81% of respondents invest at least 51% of their overall income.

This shows that each respondent has a varied level of investment across various financial channels. Because 26.76% of respondents invest less than 10% of their income, it's possible that they have other financial priorities or don't completely comprehend the benefits of investing.

Table No 3: Investment Avenue

Parameter	Male	Female	Total
Bank Deposit	23	12	35
Insurance	22	11	33
Stock Market	38	8	46
Mutual Fund	32	11	43

Gold	23	9	32
Government Securities	11	3	14

Source: Field Survey

Determined by gender, this inquiry seeks to ascertain which investment path millennials take. As is evident, males continue to support mutual funds (61.50%) over the stock market (73%) as their preferred investment vehicle. The preferred investment sector for women, however, is bank deposit (63.15%), followed by insurance and mutual funds, which are given equal weight (57.90%).

It could be due to their preferences or ignorance that both genders have the least interest in investing in government securities.

Table No 4: Objective of Investment

Statement	Male	Female	Total
Tax Benefit	29	12	41
Future Benefits	47	19	66
Getting High Returns	39	8	47
Marriage	7	2	9
Education	9	3	12

Source: Field Survey

The aim of asking this question was to try and analyse the purpose of Millennials to investment their money. Both Male (90.38%) and Female (100%) invest their money keeping in mind the future. Getting High Returns is the second priority of Male (75%) while for female it's the Tax Benefits (63.15%), Tax Benefits is the third most popular reason for Male to invest.

Marriage remains the least favourite option for both the genders, this indicates that they focused on building their career and not currently looking into matrimony objectives.

Table No. 5: Hypothesis statement 1

Statements	X ²	P value	Comment
Proper knowledge of how to invest the money	6.329	0.176	Insignificant, H0 is accepted
Maintains a regular budget of income and expenditure	5.867	0.209	Insignificant, H0 is accepted
Have the knowledge and ability on how to make the monthly budget	6.347	0.175	Insignificant, H0 is accepted
Study statistical trend while making investment decisions	4.122	0.390	Insignificant, H0 is accepted
Study financial statements while making investment decisions	4.751	0.314	Insignificant, H0 is accepted
I'm willing to accept a significant risk in exchange for a bigger reward.	4.641	0.326	Insignificant, H0 is accepted
When I put my money into risky stocks, I get anxiety and tension.	8.177	0.085	Insignificant, H0 is accepted
In my portfolio, I hold on to the shares with lower values and sell the ones with higher values.	4.406	0.354	Insignificant, H0 is accepted
When I maintain the lower-value equities and sell the higher-value stocks, I get depressed.	4.588	0.332	Insignificant, H0 is accepted
I make individual investment selections for each of my shares or equities.	8.262	0.082	Insignificant, H0 is accepted
When investor decisions change in the stock market, I implement such modifications in line with those directives.	3.302	0.509	Insignificant, H0 is accepted
More knowledgeable respondents have a significant impact on my investment selections.	3.034	0.552	Insignificant, H0 is accepted
I feel less anxious when I adopt the strategies used by other seasoned investors.	3.225	0.521	Insignificant, H0 is accepted

When the market is trending upward, I tend to imitate other investors when choosing which investments to make.	3.578	0.466	Insignificant, H0 is accepted
When the market is trending downward, I tend to follow other investors when choosing my investments.	4.428	0.351	Insignificant, H0 is accepted
I talk to others about my investment choices.	5.871	0.209	Insignificant, H0 is accepted
Before making investment decisions, I consult with qualified financial experts.	5.250	0.263	Insignificant, H0 is accepted
Before making investment decisions, I ask my family and friends for advice.	8.074	0.089	Insignificant, H0 is accepted
Before making financial decisions, I research on the internet and social networking sites.	1.223	0.874	Insignificant, H0 is accepted
Before making an investment, I would like to research the company's anticipated earnings from magazines and other media. other platforms before investing.	3.997	0.406	Insignificant, H0 is accepted
To make quick money, I make market investments.	9.018	0.061	Insignificant, H0 is accepted
My investment choices are heavily influenced by the company's stock's historical performance.	3.468	0.325	Insignificant, H0 is accepted
My choice of investments is influenced by share price.	2.87	0.577	Insignificant, H0 is accepted

Source: Field Survey

From the above table it can be clearly observed that there is no impact of gender on investment decisions. Gender has no significant role to play while deciding the investment behavior of the millennials. This may be because majority of the women are also coming from working class.

Showcasing a sign of gender parity which is good for the economy as well as the society.

Table No. 6: Hypothesis statement 2

Statements	X ²	P value	Comment
Proper knowledge of how to invest the money	8.564	0.380	Insignificant, H0 is accepted
Maintains a regular budget of income and expenditure	10.866	0.209	Insignificant, H0 is accepted
Have the skills and ability to create monthly budgets	26.016	0.001	Significant, H0 is rejected
Study statistical trend while making investment decisions	9.731	0.284	Insignificant, H0 is accepted
Study financial statements while making investment decisions	9.676	0.289	Insignificant, H0 is accepted
I am willing to take huge risk in return for a greater profit.	7.761	0.457	Insignificant, H0 is accepted
I feel anxious and stressed when I invest my money in risky stocks.	8.831	0.357	Insignificant, H0 is accepted
I keep the shares with lower value in my portfolio and sell those with higher value.	6.556	0.585	Insignificant, H0 is accepted
I feel sad when I keep the lower value stocks and sell the higher value stocks.	4.799	0.779	Insignificant, H0 is accepted
I take investment decisions separately for my each shares/stocks.	8.743	0.364	Insignificant, H0 is accepted
I follow the directions of changes in the investor's decision in the stock market and implement the same.	6.927	0.544	Insignificant, H0 is accepted

The investment decisions I make is heavily influenced by more sophisticated respondents.	14.411	0.072	Insignificant, H0 is accepted
When I imitate the decisions of other sophisticated investors it makes me feel less worried.	11.638	0.168	Insignificant, H0 is accepted
When there is bullish trend in the market, I mostly follow other investors while making investment decisions.	12.297	0.138	Insignificant, H0 is accepted
When there is bearish trend in the market, I mostly follow other investors while making investment decisions.	16.447	0.036	Significant, H0 is rejected
I discuss about my investment decisions with others.	4.879	0.770	Insignificant, H0 is accepted
I seek professional financial advisors help before making investment decisions.	6.086	0.638	Insignificant, H0 is accepted
I seek suggestions from my family and friends help before making investment decisions.	13.638	0.092	Insignificant, H0 is accepted
I search internet and social media networking sites before taking investment decisions.	3.601	0.891	Insignificant, H0 is accepted
I would like to search about the firm's expected earnings from magazines and other mediums before investing. other mediums before investing.	3.975	0.859	Insignificant, H0 is accepted
To make quick money, I make market investments.	7.901	0.443	Insignificant, H0 is accepted
My investment choices are heavily influenced by the company's stock's historical performance.	3.384	0.759	Insignificant, H0 is accepted
My choice of investments is influenced by share price.	6.431	0.599	Insignificant, H0 is accepted

Source: Field Survey

From the above table it can be clearly observed that there is no impact of age on investment decisions. Age has no significant role to play while deciding the investment behavior of the millennials. This is because all the respondents have same collective consciousness. This leads to very few variations in the investment behavior.

Conclusions:

Based on the results from the data gathered through questioner it can be observed that among millennials age and gender factors alone do not constitute investment decisions, meaning there is parity among males and females regarding investment decisions. The same can be observed when millennials are divided based on age groups. Financial Literacy, Herding Behavior, Information Search, and Risk Attitude are key factors to be studied while making Investment Decisions, but these parameters should be studied with other factors such as Annual Income and/or depending upon savings made by the millennials.

References

- [1]. Kunaifi I, A. N. (2019). Financial Knowledge and Millennials Investing Behaviors in Indonesia. *Jurnal Sosial Humaniora (JSH)* , 26-30
- [2]. Dr.Madhavi Karanam, D. (2019). Investment pattern of Millennials: A Path Ahead. www.theinternationaljournal.org> RJSSM : Volume: 09, Number: 04, August 2019 , 24-29.
- [3]. Gupta, P and Kohli, B (2021). Herding Behavior in the Indian Stock Market: An Empirical Study. *Indian Journal of Finance*.
- [4]. Manoj Kumar Dash- “ Factors Influencing Investment Decision of Generations in India: An Econometric Study *Indian Institute of Information Technology and Management, Vol 1(1),2010,15-26)*
- [5]. Brahmabhatt, P.S.RaghuKumari and Dr. ShamiraMalekar (2012), A study of investor behavior on investment avenues in Mumbai Fenil, *Trans Asian Journal of marketing & management Research, Vol. 1, ISSN (Online), 1-71.*
- [6]. Gary R Mottola (2015)*The Financial Capability of Young Adults: A Generational View*