HOUSEHOLD INVESTOR BEHAVIOUR IN AIZAWL CITY, MIZORAM

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by

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CERTIFICATE

Certified that Vanlalthlana has carried out research work under my supervision and guidance in the Department of Commerce, Mizoram University. The result of research work by Vanlalthlana have been presented in this thesis entitled "Household Investor Behaviour in Aizawl city, Mizoram" and the same has been submitted to the Mizoram University, Aizawl, Mizoram for the degree of Doctor of Philosophy.

Mr. Vanlalthlana has fulfilled all the requirements laid down in the PhD regulations of Mizoram University. To the best of my knowledge, this thesis as a whole or any part thereof has not been submitted to this University or any other institution for any degree.

Date :
Place : Aizawl

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DECLARATION

I, Vanlalthlana hereby declare that the subject matter of this thesis is the record of work done by me, that the contents of this thesis did not form basis of the award of any previous degree to me or to the best of my knowledge to anybody else, and that the thesis has not been submitted by me for any research degree in any other University/Institute.

This is being submitted to the Mizoram University for the degree of Doctor of Philosophy in Commerce.

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PREFACE

Adaptation and inventions made the human species what it is today. In the world of finance, such acts are indispensable for survival and growth. Banks and investment institutions have constantly evolved their products and offerings to their customers in order to stay competitive and grow. Bankers and financiers, the driving force behind the nations, aim at achieving the conflicting goals of maintaining economic balance and growth and earning profit even in times of political, financial and other turbulences. The statutes and directives connected with finance constantly evolve with the financial markets; virtually being itself, time and again, a result of conciliation between financial players and regulators. This continuous fruition of financial markets as well as that of the subsequent edicts forged the former into an intricate mesh of rules, technologies, products, markets and behaviours. The very complexities of financial products ushered in opportunities for swindlers from recognised institutions as well as illegal and unrecognised players. In today's ever changing and volatile financial world, understanding the individual investor behaviour is vital for all the players in the market.

An investor has to learn and educate himself on the complexities involved in the financial world. Paradigms of behaviour, more than mere market forces, influence the financial decisions of investors. While heuristics prove to be valuable in making the right decisions, it is imperative for investors to have specific knowledge on financial products to be bought. The more complex the system is, the higher will be the required knowledge. Just as an animal naturally tends to express the herd behaviour, an individual investor tends to perform such behaviour in the presence of an assertive action acted out by a group or, as the connotation goes, a herd. Just as the behaviour of individuals differs from socio-economic, psychological as well as geographical backgrounds, behaviour of investors differ from person to person, depending upon the dominant behavioural factors or traits lying within each person along with those affecting them from external exigencies. Such is the need for the understanding of investor behaviour that immense concentration of funds is funnelled by corporate and government bodies towards the study of investors, both at micro and macro level.

Back in the early 1990s, investment opportunities for household investors in India, let alone Mizoram, a small tribal state in the North East region, were confined within bank deposits and a small contingent of mutual fund houses and brokers. Financial scams were rampant without much action from the government as advantages on loopholes of current laws were affianced by scrupulous financial intermediaries, legal and illegal ones. Fortunately, this scenario changed for the better good. The advent of the Internet and better governing systems like the establishment of the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority, the Pension Funds Regulatory and Development Authority and Forward Market Commission have enabled investors in claiming their rights in case of defaults on the part of financial product marketers. The Reserve Bank of India has attempted to closely monitor movement of funds in the economy and correspondingly amended its rules and regulations; keeping pace with the elevated dynamism of the finance world and thereby maintain financial stability in the economy, taming the thirst of financiers while protecting the rights of investors and general populace.

In Mizoram, the entry of the Postal Department and State Bank of India ushered a new era of financial investment opportunities. Before the new millennia dawned on Mizoram, legally registered investment institutions functioning within it could be counted by the fingers. Since financial products offered were quite diminutive in numbers, the corresponding awareness level of people towards financial services was quite low. This led to the pronounced entry of fake firms offering financial services with attractive returns. Just as vigilant and carefully planned investment strategies elevated persons like Warren Buffet to richness and financial stardom, rash investment strategies can lead any investor into oblivion in the flicker of a moment. Mizoram has seen its fair share of financial scams and mis-selling of financial products. The irony in the state of the general population of Mizoram is that, after bouts of financial scams, little improvement is observed in terms of their financial literacy and recognition of their rights. But we cannot purport that the investors themselves have not improved. The investors in Mizoram who used to talk only of post office and bank deposits some two decades ago are now deeply engrossed in keeping their portfolio incrementing, diversified and well-balanced. Mutual funds and ULIPs have become the topic of general conversation of new generation investors. The erstwhile risk averse household investors have become more active in building their portfolio through equity related financial products.

In Mizoram, studies focusing on the extent of investors' awareness on investment avenues, perception of investors, their risk tolerance, their portfolio and diversification of investments, and the problems faced by them as well as the marketers of financial products are scanty. A better understanding of the investors and their behaviour would enable the marketers of the financial products, regulatory bodies like SEBI and RBI, the governments and other concerned bodies in devising suitable financial education programmes, in designing appropriate financial products and in evolving better strategies in improving the investment culture in a remote, economically backward and tribal dominant region of the country. Therefore, the present study of household investor behaviour in Aizawl city is a pioneering work which enters into the uncharted territory of the financial world in the state of

Mizoram. I heartily believe that this study will benefit all the players and other stakeholders of the financial markets operating in the country with special reference to the North East region.

The thesis is divided into five chapters:

Chapter 1, *Introduction*, depicts the overview of investment behaviour process, financial sector in India, profile of Mizoram as well as that of Aizawl city, review of literature, statement of the problem, objectives of the study, methodology adopted and limitations of the study.

Chapter 2, *Socio-economic Characteristics of Household Investors in Aizawl city*, looks into the socio-economic background in terms of age, gender, occupation, income, household members and items possessed by the investors in Aizawl city.

Chapter 3, *Awareness, Preferences and Habits of Household Investors,* identifies and analyses the awareness level of household investors, their preferences and their habits towards financial investment avenues.

Chapter 4, *Experiences, Perceptions and Motives of Household Investors*, deals with the experiences of the household investors, their perceptions on various issues and motives behind their investment behaviour.

Chapter 5, *Evaluation and Suggestions*, culminated with summary of findings from the study and relevant suggestions for the improvement of the investment culture in Mizoram.

The questionnaire used in the study is presented in *Annexure 1* followed by the List of insurance companies in *Annexure 2*, the List of mutual fund companies in *Annexure 3* and NBFCs operating in Aizawl in *Annexure 4* and *Annexure 5* and, finally with *Bibliography*.

Vanlalthlana

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Aizawl

The 19th of November, 2014 VANLALTHLANA

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CHAPTER 2 SOCIO-ECONOMIC CHARACTERISTICS OF HOUSEHOLD INVESTORS IN AIZAWL CITY

CHAPTER 3 AWARENESS, HABITS AND PREFERENCES OF HOUSEHOLD INVESTORS

List of Abbreviations

ACFE	- Association of Certified Fraud Examiners
AGL	- Agricultural
AMC	- Aizawl Municipal Council
AMFI	- Association of Mutual funds in India
ANOVA	- Analysis of Variance
ASEC	- American Saving Education Council
ATM	- Automatic Teller Machine
BJP	- Bharatiya Janata Party
BRO	- Border Roads Organisation
BSE	- Bombay Stock Exchange
BSNL	- Bharat Sanchar Nigam Limited
CBDT	- Central Board of Direct Taxes
CBSE	- Central Board of School Education
CDA	- Children's Development Account
CDMA	- Code Division Multiple Access
CDSL	- Central Depositories of Securities Limited
CEA	- Central Electricity Authority
CSA	- Canadian Securities Administrators
CSO	- Central Statistical Organisation
DFI	- Development Financial Institutions
DFI	- Development Financial Institutions
DP	- Depository Participant
EBRI	- Employee Benefit Research Institute
ETF	- Exchange Traded Fund
EXIM	- Export Import Bank of India
FII	- Foreign Institutional Investors
FINRA	- Financial Industry Regulatory Authority
GDP	- Gross Domestic Production
GDS	- Gross Domestic Savings
GICI	- General Insurance Corporation of India
GMM	- Generalized Method of Moments
GSDP	- Gross State Domestic Product
HFC	- Housing Finance Companies

HFC	- Housing Financial Companies
ICICI	- Industrial Credit and Investment Corporation of India
IDBI	- Industrial Development Bank of India
IDFC	- Infrastructure Development Finance Company
IFCI	- Industrial Financial Corporation of India
IGMS	- Integrated Grievance Management System
INFE	- International Network on Financial Education
IPO	- Initial Public Offering
IRDA	- Insurance Regulatory and Development Agency
IRDA	- Insurance Regulatory and Development Authority
Km	- Kilometer
LIC	- Life Insurance Corporation of India
LPG	- Liquefied Petroleum Gas
MCAB	- Mizoram Cooperative Apex Bank Limited
MF	- Mutual Fund
MKWH	- Million Kilowatt Hour
MNF	- Mizo National Front
MoF	- Ministry of Finance
MOSPI	- Ministry of Statistics and Programme Implementation
MRB	- Mizoram Rural Bank
MUCO	- Mizoram Urban Cooperative Bank
MW -	- MegaWatt
NABARD	- National Bank for Agriculture and Rural Development
NBFC	- Non Banking Financial Companies
NCAER	- National Council of Applied Economics Research
NCFE	- National Centre for Financial Education
NDFC	- Non Banking Financial Companies
NEDFi	– North Eastern Development Finance Corporation
NER	– North Eastern Region
NGO	- Non-Governmental Organisation
NH	- National Highway
NHB	- National Housing Bank
NISM	- National Institute of Securities Market
NPS	- New Pension Scheme

NRI - Non-Resident Indians
NSDL - National Securities Depositories Limited
NSE - National Stock Exchange
NSS - National Sample Survey
OECD - Organisation for Economic Cooperation and Development
PAN - Permanent Account Number
PFRDA - Pension Fund Regulatory and Development Authority
PoP - Point of Presence
PWD - Public Works Department
RBI - Reserve Bank of India
SBF - Small Business Finance
SBI - State Bank of India
SBTS - Screen Based Trading System
SCF - Survey of Consumer Finances
SEBI - Securities Exchange Board of India
SEED - Saving for Education, Entrepreneurship and Down-payment Initiative
SENSEX - Bombay Exchange Sensitive Index
SFI - State Financial Corporation
SIDBI - Small Industries Development Bank of India
SIDC - State Industrial Development Corporation
SRI - Socially Responsible Investment
SSI - Small Scale Industries
TFCI - Tourism Finance Corporation of India
UCO - United Commercial Bank
UCO - United Commercial Bank
UK - United Kingdom
ULIPs - Unit Linked Insurance Policy
USA - United States of America
UTI - Unit Trust of India
VB - Vijaya Bank
VIF - Variance Inflation Factor
$ - US Dollar
£ - UK Pound
3G - Third Generation

CHAPTER - I

INTRODUCTION

This chapter is a curtain raiser that deals with the basic concepts namely savings, investment, behavioural finance and household finance. It is attempted to give an overview of Indian financial system and a profile of Mizoram state. The review of literature, the statement of the problem, objectives of the study, and research methodology are also clarified in this chapter.

1.1 BASIC CONCEPTS

1.1.1 Savings

The process of saving is abstaining from present consumption for a future use. It is sometimes independent processes coming from households in the form of a habit but the majority of the savings come for specific objectives like future needs, earning income from interests, contingencies, precautionary purposes, growth of wealth, yearning for a better standard of living etc. In other words, it is the process of setting aside a portion of current income for future use, or the flow of resources accumulated in this way over a given period of time. It may be in the form of bank savings deposits or increased cash holdings. Savings is the excess of current income over current expenditure and is the balancing item on the income and outlay accounts of producing enterprises and households, government administration and other final consumers[1]. Savings are important to the economic progress of a country because of its relation to investment.

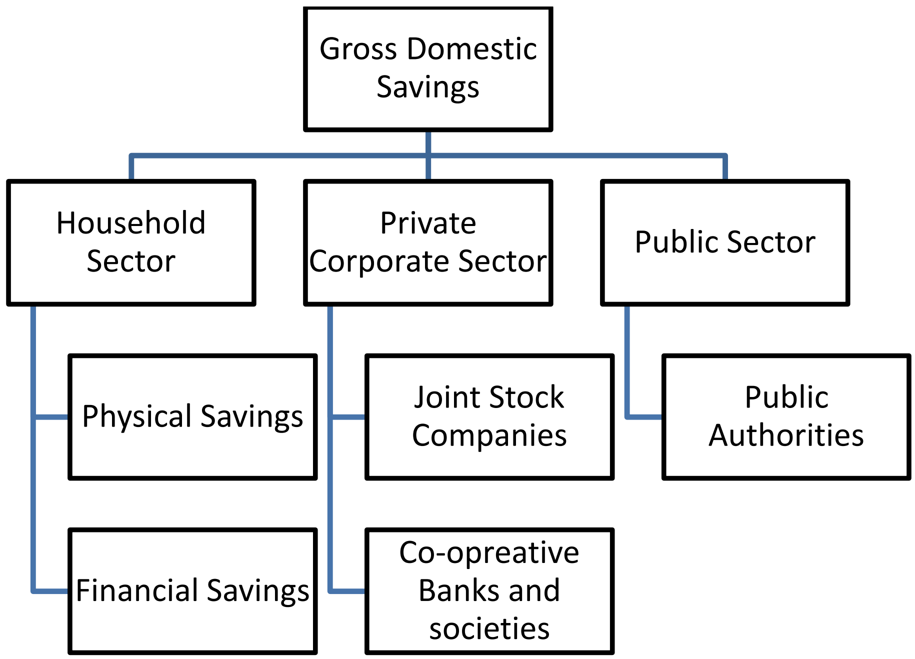
[1] http://data.gov.in/keywords/domestic-saving-current-prices accessed on 12.5.2014

If a person desires to increase his wealth, he must be willing to sacrifice a portion of his income towards savings. Savings is the prerequisite element for the existence of an investment.

Savings at household sector which account for the majority of gross savings are measured by the savings in total financial form and savings in physical assets. The savings in financial form include savings in life insurance funds, bank deposits, currency, non-bank deposits, mutual funds (MF), provident and pension funds, claims on government, shares, debentures and trade debts. Currency and deposits are intentional savings and are motivated by precautionary and transaction motives and are governed by income and other incentives. Contractual savings like life insurance, provident fund and pension fund are governed by preventive and contingency motives while the claims on government are compulsory deposits, tax credits and investment in government bonds, etc. Savings in the form of units, shares and debentures, etc. are intentional savings and are used, directly or indirectly, for investment in the business sector. For the calculation of domestic savings, an economy is broadly classified into three institutional sectors namely, (a) household sector (b) private corporate sector, and (c) public sector.

Exhibit 1.1

Diagram of Gross Domestic Savings



As seen in Exhibit 1.1, the savings of the household sector can be measured by (i) total financial saving and (ii) saving in the form of physical assets. The financial saving consists of ownership of net deposit in investment in shares, currency, debentures and government securities and small saving whereas the physical assets include construction, equipment, machinery, inventories, etc. held by an individuals. Secondly, the savings of private corporate sector constitutes the net savings of non-government, non-financial companies, private financial institutions and co-operative institutions as seen from the reported profit and loss accounts and balance sheet of these companies. Thirdly, the savings of the public sector is the excess of current expenditures of the government.

Even though Korczyk (1998) and Carney and Gale (2001) stated that research on saving is extensive but inconclusive, many important findings have been put forwarded by various researchers. It was observed by Iqbal (1993) that expected inflation has a negative relationship with savings, thereby stating that in case of expectance of high inflation, people would prefer to consume today and, thereby, save less. By having independence of central bank, increase in financial deepening, increasing the types of financial products along with banking reforms would also lead to greater savings (Khan 1993). Khan et al (1992) found that per capita income has a strong effect on savings rate. Further, what Mckinnon (1973) has termed as the ‘Portfolio-Effect’ of higher rate of economic growth can also stimulate savings. Rehanna and Rizwana (1993) propounded that economic and demographic factors are important determinants of saving behaviour while higher proportions of the young and elderly in relation to persons of working age-dependency ratio are associated with lower saving rates. Low-income households face key barriers to increase saving because they face higher opportunity costs for putting their funds toward savings rather than current consumption (Banerjee, 2001). A study by Mazzocco (2004) presents empirical evidence which suggests that risk sharing is an important feature of saving decisions whereby saving is characterised as the outcome of the joint decision of household members to capture the effect of risk sharing on saving patterns. It was observed by Raj (1962) and Mujumdar et al. (1980) that redistribution of income in favour of decline in agricultural prices, non-agricultural households and build-up of institutional infrastructure such as branch expansion and bank nationalisation lead to the increase in savings rate.

1.1.2 Investment

Income is utilised in two activities, namely consumption and investment. The amounts not consumed are saved and, thus, invested. Investment is the exchange of present cash or money for a future claim on money or a promise to pay at a later date along with a regular income or the purchase of a security. Investment also exists in the form of services like consultancy, construction, hotel or hospital and money earning services in future from durables goods/machineries or agricultural products. Hence, it is the process of exchanging income during one period of time for an asset that is expected to produce earnings in future periods. Thus, consumption in the current period is foregone in order to obtain a greater return in the future. Investments are also useful for present and future consumption in the case of consumer durables, cars, gold and silver etc. Investments generally promote larger consumption in future as they lead to more income and larger capital appreciation in the years to come. Investment comprises acquisition of valuables, fixed capital formation, changes in stock and inventories, adjusted for errors and omissions (Indian Economic Survey, 2013-14). Purchases of assets like shares and securities can be for either investment motives or speculation motives or for both. In the sense of its nature, investment is long term while speculation is short term. All investments are risky up to some extent but speculation is relatively more risky as it involves short term trading which may instantly lead to profits sometimes and losses at other times. Investment finance is the process of channelling funds in the form of credit, loans, or invested capital to those economic bodies that most need them or can put them to the most productive use.

The institutions that channel funds from savers to users are called financial intermediaries. They include commercial banks, and such non-bank institutions as investment companies, pension funds, insurance companies, and finance companies.

Throughout the history of capitalism, the primary function of private businesses has been investment. However, during the 20^{th} century, governments in planned economies and developing countries have become important investors. Before the 1930s, the going rate of interest was thought to have a strong affected on investment, where the rate of investment and the rate of interest will be inversely correlated. Subsequent empirical investigations has shown that business investment are less reactive to interest rates and relies more on businessmen's expectations about technical changes in production methods, future demand and profit, and the expected relative costs of labour and capital.

Gross investments are total investments made from all sources by an economy or a single economic unit while net investment are those investments arrived upon by deducting disinvestments for an economic unit from gross investment. Capital formation, which is the use of invested resources for further generation of funds is an essential ingredient of an economy. Adjustments in economic activity may take place when investment spending is greater or smaller than the savings at a given level of income. All economic activities such as agricultural, industrial or services depend on the availability of financial resources. The volume of capital formation and the amount of financial resources depends on the intensity and efficiency with which savings are gathered, facilitated and absorbed towards investment. Many variations and additions on saving models are presented by Carroll (1997), Caroll & Samwick (1997), and Ziliak (1999), underlining a precautionary motive for saving, particularly for younger households and for households facing greater uncertainty in income. The assumption that individuals and households are focused on expected future income and long-term consumption patterns was put forward by Modigliani and Brumberg (1954) with their neoclassical theory of the life cycle hypothesis. In general, from these theories it is perceived that everyone makes rational decisions, are concerned about their consumption patterns, their preferences does not abruptly change, they have perfect information, and that people try to be prepared for the future.

The purpose of investment for households may be closely related to their reasons for saving such as: (i) Transactions purpose (for daily needs or regular payments); (ii) Precautionary purposes (for contingencies or special needs); and (iii) Speculative or asset purposes (for capital gains and building of assets).

1.1.3 Behavioural finance

The management of household finance is a dynamic and complex process which is needed to be relentlessly monitored and strategised in order to acquire optimum returns from household income. The study of the behaviour of individual investors as well as that of household investors has to begin with the analysis of psychological behaviour of the individual as well as group of investors. Literatures on investment behaviour have been presented by various authors, way back in the late 1800s and early 1900s. MacKay's *Extraordinary Popular Delusions and the Madness of Crowds* (1841) initiated a string of studies on investors' behaviour and its impact on the financial market by presenting a chronological timeline of the various schemes and anxieties connected to finance throughout history. *The Crowd: A Study of the Popular Mind,* a book written by Le Bon

(1896) discusses the role and effect of 'crowd psychology' and group behaviour to the fields of history, behavioural finance, social psychology and sociology. Then, in 1912 came the book written by Selden (*Psychology of the Stock Market*) which was considered the first written book that applied psychology directly to the behaviour of stock market investors. This classic book discusses the emotional and psychological forces that act upon investors and traders in the financial markets. These three classics are considered to form the foundation of applying psychology and sociology to the field of finance. More recent literature which affected the study of investment behaviour were firstly, the study done by the US psychologist Leon Festinger (1956) where he introduced a new concept in social psychology, the theory of Cognitive Dissonance (Festinger et al, 1956); secondly, John Pratt (1964) in his paper about risk aversion considers utility functions, risk aversion and also risks considered as a proportion of total assets; thirdly, one of the most famous paper related to behavioural finance was introduced by Tversky and Kahneman (1973), where they propounded through their *Prospect Theory*[2] that a judgmental heuristic[3] in which a person evaluates the frequency of classes or the probability of events by availability, i.e. by the ease with which relevant instances come to mind and hence, the reliance on the availability heuristic leads to systematic biases. Fourthly, Bondt and Thaler (1985) in their study '*Does the stock market overreact*?' effectively shaped the start of what we now know as behavioural finance. In their study, they discovered that people systematically overreact

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[2] Prospect Theory is a behavioural economic theory that describes the way people choose between probabilistic alternatives that involve risk, where the probabilities of outcomes are known. The theory states that people make decisions based on the potential value of losses and gains rather than the final outcome, and that people evaluate these losses and gains using certain heuristics.

[3] Judgmental Heuristics are mental shortcuts that society uses to make judgments quickly and efficiently.

to unexpected and dramatic news or events and, thereby, results in substantial weak-form inefficiencies in the stock market.

Today, copious supply of literature on traditional finance[4], behavioural finance, behavioural economics, psychology, and sociology focussing on the 'psychology aspect of investing', 'psychology of investors' and 'psychology of finance' exist for the professional and general audience. Therefore, Behavioural Finance is the study of how humans interpret and act on information to make informed investment decisions. It is a relatively new field that seeks to combine behavioural and cognitive psychological theory with conventional economics and finance to provide explanations for why people make irrational financial decisions[5]. It is one of the most interesting and fascinating fields of research throwing light on the motives, preferences, perceptions and expectations of the investors. The emergence of behavioural finance has presented a new realm for analysing the ways in which investors make decisions that includes psychological factors, as well as providing new grounds of modelling investor behaviour. Even though most of the literatures on behavioural finance are on securities market instruments, the study of behavioural finance is much valid for investors investing in other instrument other than securities market instrument.

The uniqueness of behavioural finance is its integration and foundation of many different schools of thought and fields. The foundation of behavioural finance is an area

[4] Traditional finance theory assumes that financial markets are efficient, investors make rational decisions, market participants are sophisticated, informed and act only on available information. Since everyone has the same access to that information, all securities are appropriately priced at any given time.

[5] http://www.investopedia.com/university/behavioral_finance accessed on 9.6.2014

based on an interdisciplinary approach including scholars from the social sciences and business schools. From the liberal arts viewpoint, behavioural finance includes the fields of psychology, behavioural economics, anthropology and sociology. From the business administration stream, it includes areas such as finance, management, marketing, technology and accounting. When studying concepts of behavioural finance, traditional finance is still the centrepiece; however, the behavioural aspects of psychology and sociology are integral catalysts within this field of study. Therefore, to become acquainted with overall concepts of behavioural finance, one must have a basic understanding of the concepts of psychology, sociology, management and finance.

1.1.4 Household finance

Campbell (2006), in his address to the annual meeting of the American Finance Association, defined household finance as a new field of finance analogous to corporate finance, which asks ‘how households use financial instruments to attain their objectives’. This new field is important for at least two reasons – 1) household investment outcomes are playing an increasingly critical role in one of the basic concerns of economics which is household wealth accumulation. Due to equity premiums, the question of whether or not to invest in stocks can, make a significant difference to household wealth in the long run. 2) Household investors’ behaviour in financial market affects asset pricing and as a result determines market efficiency (DeLong et al, 1990; Dumas et al, 2009). In this context, household finance has considerable implications for both policy makers and academicians. The theory of consumer behaviour, which generally include household behaviour, is elaborately presented in a static, strictly in a consumer convention framework in most economics texts. Complicated characteristics of household behaviour have been given specialised interest in some texts and journal articles, but for the most part these have been concerned with explaining some fine theoretical stands and providing a research framework for a very limited range of empirical applications. Many households seek advice from financial planners and other experts but correspondingly make decisions that are hard to merge with the advices or with any standard model.

The study of household finance could be normative (to state what households should do) or positive (to describe what households actually do). It was argued by Campbell (2006) that the gap between normative household finance and positive household finance is central to this field since there are some large gaps between the theoretically ideal and observed actual financial behaviour of households. Thus, more research is crucial on both normative and positive household investment. The common household theories claim that no matter how risk averse an individual is, that person should include at least some risky assets in her/his portfolio basket and that an optimised stock portfolio should be fully diversified. In reality, significant part of households in any nation does not make investment in stocks related financial markets. Although behavioural finance has revealed a number of individual behavioural biases, little is known about how pragmatic the theoretical assumptions of different rational household investors are. This circumstance is mainly due to the dearth of high quality data to test these suppositions. The field of household finance has developed significantly since Campbell's address to the American Finance Association 2006 annual meeting. Most importantly, in a series of ensuing researches, (Campbell, 2006; Calvet et al, 2009a; Calvet et al, 2009b; Campbell et al 2011) find that for a minority of households, particularly poor and less educated households, their actual behaviour diverge from theoretical optimal investment behaviour, with potentially serious consequences. As these discrepancies are difficult to be rationalised by controlling the small frictions that are ignored in standard financial theory, Calvet et al (2009a) labelled such discrepancies as investor mistakes and devised indexes to determine them. On the other hand, research studies towards the field of behavioural finance have been paying increasing attention to inherent individual heterogeneities of household investors having universal predictive power for household investment behaviour and performance. More recent studies have identified a variety of such heterogeneities, for instance, intelligence quotient (Grinblatt et al 2011), genetics (Barnea et al 2010; Cesarini et al 2010), social interactions and trust (Hong et al, 2004; Georgarakos & Pasini, 2011). Despite the above findings, household finance is still a very under-researched field. For example, the majority of the existing empirical studies use data from developed economies and relatively few studies examine developing economies (Huang, 2013). In the North Eastern region of India, much less studies on household finance are seen and this study aims to fill that gap.

1.2 THE INDIAN FINANCIAL SYSTEM

1.2.1 An overview of the Indian financial system

The Indian financial system can be broadly classified into the formal (organised) financial system and the informal (unorganised) financial system (Exhibit 1.2). The formal financial system comes under the purview of the Ministry of Finance (MOF), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Agency (IRDA) and other regulatory bodies.

Formal financial system consists of four segments, namely - financial institutions, financial markets, financial instruments and financial services. Financial institutions are intermediaries that mobilise the savings and facilitate the allocation of funds in an efficient manner. Financial institutions are categorised as banking and non-banking financial institutions. Banking institutions are creators of credit while non-banking financial institutions are purveyors of credit. In India, non-banking financial institutions namely the Development Financial Institutions (DFIs) and Non-Banking Financial Companies (NBFCs) as well as Housing Finance Companies (HFCs) are the major institutional purveyors of credit.

Financial institutions are further classified as Term Finance Institutions such as Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Financial Corporation of India (IFCI), Small Industries Development Bank of India (SIDBI) and Industrial Investment Bank of India (IIBI). Specialised finance institutions like the Export Import Bank of India (EXIM), Tourism Finance Corporation of India (TFCI), ICICI Venture, Infrastructure Development Finance Company (IDFC) and sectoral financial institutions such as National Bank for Agricultural and Rural Development (NABARD) and National Housing Bank (NHB). Investment institutions in the business of mutual funds (UTI, Public Sector and Private Sector Mutual Funds) and insurance activity (LIC, GIC, private insurers and their subsidiaries) are also classified as financial institutions. There are state level financial institutions such as State Financial Corporation (SFI) and State Industrial Development Corporation (SIDCs) which are owned and managed by the State governments.

Financial markets are the tools that enable participants to deal in financial claims. Money market and capital market are the organised financial markets in India. Money market is for short term securities while capital market is for long term securities. Primary market deals in new issues while the secondary market is meant for trading in outstanding or existing securities. Financial instrument is a claim against a person or an institution for the payment at a future date a sum of money or a periodic payment in the form of interest or dividend. Financial instruments may be primary or secondary securities. Primary securities are issued by the ultimate borrowers of funds to the ultimate savers e.g. bank deposits, mutual fund units, insurance policies, etc. while secondary securities are financial markets where investors acquire securities from other investors. Financial instruments help the financial markets and the financial intermediaries to perform the important role of channelising funds from leaders to borrowers.

Financial services include merchant banking, leasing, hire purchase, credit rating etc. Financial services rendered by the financial intermediaries bridge the gap between lack of knowledge on the part of the investors and increasing complexity of financial market and instruments. The four components are interdependent and they interact continuously with each other. Their interaction leads to the development of a smoothly functioning financial system.

The informal financial system consists of:

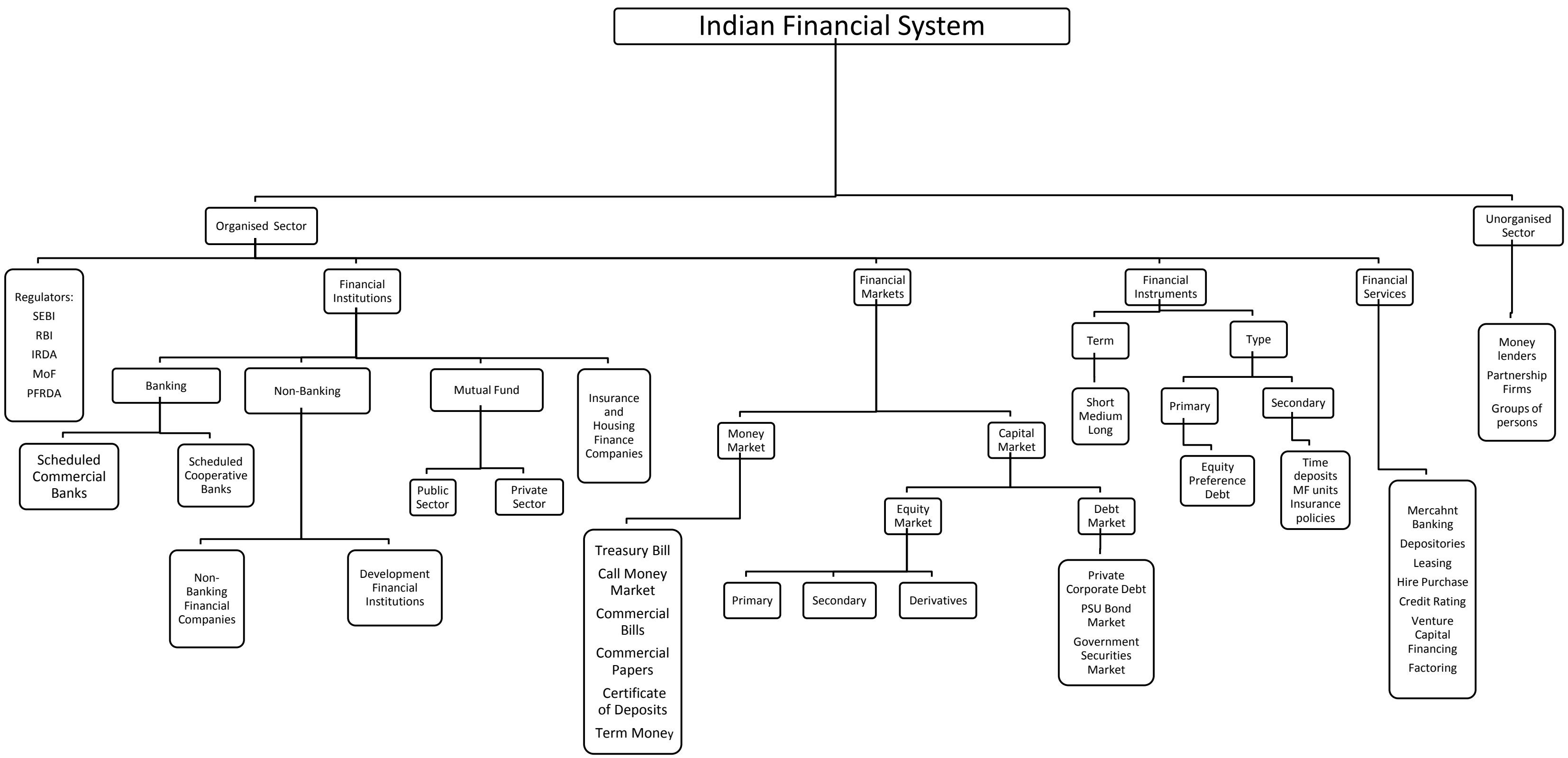
(i) Individual money lenders such as friends, neighbours, relatives, landlords, traders, store owners and so on.

(ii) Groups of persons operating as funds or 'associations'. These groups have their own rules under which they operate.

(iii) Firms consisting of local brokers, pawn brokers and non-banking financial intermediaries such as finance, investment and chit fund companies.

Exhibit 1.2

Financial System of India



Adapted from *The Indian Financial System: Markets, Institutions and Services*, Pathak (2009)

In India, the dynamic and systematic approach made by the central government regarding the direct tax system, which greatly affects the household investors, changes the way or mode of household savings mobilisation. The tax benefit in terms of deductions and rebates encourages household investors, who occupy a major portion of income tax assessees, to save and invest more and more. It is also perceived that the ongoing practice of dowry system among a vast majority of Indians and the huge expenses involved in wedding functions induces parents to save as much as they could from the birth of their children. These factors, thus, gave the Indians an embedded psychological trait for making optimum savings from all possible sources of funds**.**

The gross savings of the household sector is over 20 per cent of the Gross Domestic Product (GDP) and as per the Working Group on Savings for the 12th Five Year Plan[6] it is projected to reach 25 per cent by 2016-17 (RBI Monthly Bulletin, June 2012). This constitutes more than one third of the physical assets and three fourth of financial assets. The savings in physical form include agricultural implements, tools, tractors, consumer durables, gold, silver etc. among the rural households and such items as real estate, buildings etc. among all households. The savings in physical form are less productive while savings in financial form are more productive in various degrees depending on the efficiency of their rise. The household sector in India has emerged as the single most important contributor to Gross Domestic Savings (GDS). The savings rate i.e. percentage of GDS on GDP in India has more than tripled since its independence in 1947. Prior to the First Five Year Plan, the savings rate was only 6.8 per cent. It continually grew within the First Plan itself and reached 9.1 per cent

[6] 12th Five Year Plan of the Government of India (2012–17) is a development plan designed by the Planning Commission of India which aims at steering the nation towards a growth rate of 8 per cent.

in 1955. But due to political restraints and high rate of taxes, savings rate in India was stagnated for many years. The rise could be seen again from 1973 which went on till the early 80's. The savings rate dipped below 10 per cent from the year 1986 which went on till the early 90's. In 1995 it rose to 16.7 per cent and eventually kept on increasing; in 2006, it reached 29 per cent. As per Indian Economic Survey reports, GDS rate peaked at 36.80 per cent during 2007-08 and it gradually fell to 30.10 per cent during 2012-13. It is to be noted that the GDS is composed of savings made by the household sector, private companies, public companies and the government. According to the approach paper for the 11th Five Year Plan, household savings consist of around 75 per cent of the total national savings. Therefore, it is very important to study and understand the behaviour, preferences and perceptions of the household investors.

In India, the preference of equity ownership started in the beginning of the 1990s, after the introduction of economic liberalisation, and has achieved a much higher degree of penetration compared to other capital market instruments. However, shareholders who constitute a major portion of household investors, consists of only 4-5 per cent of the whole population in the country. The first investment made by investors tends to be in the form of life insurance and bank fixed deposits (*Indian Household Investor Survey – 2004*, 2005).

In a nation-wide survey conducted by the National Council of Applied Economics Research (NCAER) covering 38,000 households, it is found that only 11 per cent of the households made investments in the securities market. Among investors investing in securities market, mutual funds were the most preferred route for investments while share market investments came in second. It was also found that longer time horizon for investments were preferred by households with a higher level of education. Education played a significant role in influencing risk preferences also. For instance, the degree of risk tolerance was the higher as the schooling years of the investors increases (SEBI-NCAER, 2011).

There is large number of investment avenues for savers in India. Some of them are marketable and liquid while others are more risky and less safe. Risk and return are the major characteristics which an investor has to face and handle. The investor has to choose proper avenues from among them depending on his objectives, preferences, needs and abilities to take the minimum risk and maximise the returns.

1.2.2 Regulatory Framework

The four main legislations governing the securities markets are:

(1) SEBI Act 1992 which was established by the SEBI to protect investors and develop and regulate securities market,

(2) The Companies Act 1956 which sets out the code of conduct for the corporate sector in relation to issue, allotment and transfer of securities and disclosures.

(3) Contracts (Regulation) Act 1956 which provides for regulation of transactions in securities through control over stock exchanges, and,

(4) The Depositories Act 1996 which provides for electronic maintenance and transfer of ownership of dematerialised[7] securities.

1.2.3 Recent trends in securities market

The economic and financial landscape of India is undergoing a significant transformation, a requisite component of globalisation. In the process, the economy has more than diversified with the new sources of growth. In tune with these changes, we have seen the modernisation and evolution of the financial sector that has also

[7] Dematerialisation refers to the substitution of paper-form securities with digitalised securities.

increasingly been more diversified to meet new requirements of the economy. While saving and investment habit assumes importance in the changing financial status of families, financial literacy play a major role by equipping investors as well as potential investors with the knowledge required to choose from a myriad of financial products and providers.

In India both savings and investment rates are growing but the cause of concern is where they are investing their savings. Investments in households have increasingly moved either to risk-free, government backed, fixed return, low yielding investment or non-financial assets. According to the *Household Investor Survey 2004*, only 4-5 per cent of households possesses shares of any kind.

There are three main sets of entities that depend upon the securities market. The corporate and governments raise resources from the securities markets to meet their needs of investment and the households invest their savings in the securities. The central government and the state governments nowadays finance about two third and one third of their fiscal deficits respectively through borrowings from the securities market. Corporate sector finances about one third of its external finance requirements through the securities market. The Society for Capital Market Research and Development (SCMRD) carries out periodical surveys of households to estimate the number of investors. The first survey was carried out in 1990 which placed the total number of share owners at 90-100 lakh. Their second survey estimated the number of share owners at around 140-150 lakh by mid 1993. Their latest survey estimates the number of share owners at around 2 crore by 1997 end. Approximately half of the share owners at the end of 2000 had, for the first time entered the market. According to the first SEBI-NCAER survey of Indian investors in 1999, an estimated 12.8 million or 7.6 per cent of all Indian households representing 19 million individuals had directly invested in equity shares and debentures at the end of financial year 1998-1999. More than 156 million or 92 per cent of all Indian households were non investor households who did not have any investments in equity/debentures. The lack of awareness about securities market and absence of dependable infrastructure and distribution network coupled with aversion to risk prevents the non-investor households from investing in the securities market. An estimated 15 million (nearly 9per cent) of all households representing at least 23 million unit holders had invested in units of mutual funds. According to the second SEBI-NCAER Survey conducted in the late 2000, 13.1 million or 7.4 per cent of all Indian households representing 21 million individuals directly invested in equity shares and or debentures during the financial year 2000-2001. There were 19 million unit holders who had invested in units of MF's in 2000-01. Of the 48 million urban households an estimated 8.8 million households (18 per cent) representing 13 million urban investors owned equity shares and/or debentures. Of the 121 million rural households, only about 4 million households or 3 per cent representing nearly 6 million rural investors owned these instruments. In the SEBI NCAER survey, 2011, the estimated number of investor households in India is 24.5 million who constitute about 11 per cent of total households. The percentage of investors is nearly 20 in urban areas while it is much lower (6 per cent) in rural India (SEBI-NCAER, 2011).

The market is getting institutionalised as investors prefer mutual funds as their investment vehicle, thanks to the evolution of a regulatory framework for MFs, tax concessions offered by government and preference of investors for passive investing. Though the MF industry was opened up to private sector only in the 1990s, the private sector MFs accounts for three fourth of the assets under management.

Derivatives trading commenced in India in June 2000 at the Bombay Stock Exchange (BSE). The exchange traded derivatives witnessed a volume of ₹1,80,966 crore with about 74 lakh contracts on November, 2014 under the NSE which accounted for more than 90 per cent of the total turnover of derivative in India. Both in terms of number of contracts traded and national turnover in stock futures, NSE tops the list of world's derivative exchanges. It was observed that Futures were more popular than Options while contracts on securities were more popular than those on indices, call options being more popular than put options and near month contracts were more popular than contracts for more than a month.

In India, an agent of the depository is called a Depository Participant (DP). They are the intermediaries between the depository and the investors. In order to get rid of ills of paper based securities and promote dematerialisation of securities, the regulator introduced some kind of compulsion through trading and settlement process of securities instruments. There are two fully operational depositories – National Securities Depositories Ltd (NSDL) and Central Depository of Securities Ltd. (CDSL) with about 4,000 depository participants offering depository services from over 2,000 locations. As per their respective records, there are 12.5 crore beneficial accounts with the NSDL in December, 2012 while there were 87 lakh beneficial accounts with the CDSL on March, 2013. The growth of dematerialisation is considered as a success story in Indian securities market as there are about six million beneficial accounts with these depositories. The aggregate turnover in central and state government securities, including treasury bills, through SGL transactions increased 50 times between 1994-05 and 2013-14.

The number of stock exchanges in India increased from 11 in 1990 to 21 in 2014. All the exchanges are fully computerized and offer 100 per cent on line trading.

Over 9000 companies were available for trading on stock exchanges at the end of March 2014. The market capitalisation grew tenfold between 1990-91 and 1999-2000. It declined thereafter following major market misconduct. It however picked up in 2003-2004 but to fall sharply in 2008 due to the World Economic Crisis. It has gradually started to gain momentum and is now reaching new heights after the erstwhile opposition party, the Bharatiya Janata Party (BJP) came to power in India in 2013 under the leadership of Narendra Modi.

1.2.4 Reforms in the Securities Market

In the acknowledgement of the importance of securities market in the economy and the emergence of the economy to grow at the projected rate of 6 per cent to 9 percent per annum (as per RBI's Report on 12th Five Year Plan submitted to Planning Commission, 2012), the authorities have been promoting the securities market as an engine of growth to provide an alternative but efficient means of resources mobilisation. Authorities have made fundamental institutional changes in the market design in the last decade resulting in drastic reduction in transaction costs and significant improvements in efficiency, transparency and safety. They have ushered in as much as 10 special legislative interventions during the last two decades to support the reforms in the securities market, which is the most reformed sector in the Indian economy today. These last two decades saw the creation of the first ever autonomous regulator in India i.e. SEBI, along with the first ever demutualised stock exchange in the world. It ushered in the era of satellite based communication technology for securities and real time live position monitoring of brokers. It was during this period that the straight through processing in securities transactions and has implemented T+2 rolling settlement was introduced in the securities market. In many areas such as biometric based identification of market participants, disclosure and accounting standards, corporate governance rating etc. have been introduced. These have yielded considerable benefits to the market as evidenced by the growth in the number of market participants, growth in the volumes of securities transactions, increasing globalisation of Indian market, reducing in transaction costs and the level of compliance with international standards. In order to improve market efficiency, enhance transparency, prevent unfair trade practices and bring the Indian market up to international standards a package of reforms consisting of measures to liberalize, regulate and develop the securities market is being implemented since early 1990s. The issuers complying with the eligibility criteria were allowed freedom to issue the securities at market determined rates. The market shifted formally and completely from merit based regulation to disclosure based regulation. Overseas issuers and investors were granted access to Indian market. The secondary market overcame the geographical barriers by moving to screen based trading. The trading system is now accessed through 10,000 trading terminals spread across more than 400 cities/towns in the Indian sub-continent and also through the internet and hand held mobile devices from all over the world. All kinds of securities debt and equity, government and corporate – are traded side by side. Traders enjoyed counter party guarantee. The trading cycle shortened to a day and trades are settled within 2 working days while all deferral products were banned. Physical security certificates almost disappeared with the introduction of dematerialised securities and with the endorsement of the SEBI.

The exchanges provide an online fully automated screen based trading system (SBTS) where a member can punch into the computer quantities of securities and the prices at which he likes to transact and the transactions is executed as soon as it finds a matching order from a counter party. SBTS electronically matches orders on a strict price/time priority and hence cuts down on time cost and risk of error as well as on fraud thereby resulting in improved operational efficiency. It allows a large number of participants, irrespective of their geographical locations to trade with one another simultaneously improving the depth and liquidity of the market. It provides full anonymity by accepting orders, big or small from members without revealing their identity thus providing equal access to everybody.

1.3 MIZORAM – A BRIEF PROFILE

1.3.1 Area and location

Mizoram is a small land locked state in the North East India occupying a total geographical area of 21,087 sq. km. It lies between 92.15° E to 93.29° E longitudes and 21.58° N to 24.35° N latitude. The state is surrounded by Myanmar in the eastern and southern parts with 404 km international boundary, in the west by the Chittagong hill tracts of Bangladesh with 318 km international boundary and the state of Tripura with 66 kms inter state boundary, in the north by the Cachar district of Assam with 123 km interstate boundary and also Manipur with 95 km interstate boundary (Exhibit 1.3). The tropic of cancer runs through the territory. The state occupies a great strategic importance within the north eastern corner of India due to its long international boundary with Myanmar and Bangladesh. The hills runs mainly from north to south. The maximum dimension from north to south is 277 km and east to west is 121 km. Most of the region is hilly but few flat land areas are available in low lying areas in the border of Cachar district of Assam. Major rivers flowing towards the north are Tuivai, Tlawng, Teirei, Tuirini, Tuirial and Tuivawl. Rivers flowing to the south are mainly Tuipui, Mat and Tuichang. The capital of the state is Aizawl and it is situated at over 1000 meters above sea level. Other important towns are Lunglei to the south (the second biggest town in the state), and even further to the south, Saiha; Champhai on the Myanmar border (Ray, 2002).

Exhibit 1.3: Location of Mizoram in India

Source : www.mapsofindia.com

1.3.2 Historical Perspective

The origin of the Mizos, like those of many other tribes in the North Eastern India is veiled in mystery. The Mizos themselves claim their original home to be *Chhinlung* which is now said to be located at Sichuan province in China. Whatever the case may be, it seems probable that the Mizos moves from China to Burma and then to India under forces of circumstances. The Mizos lived in the Shan state for about 300 years before they moved on to the Kabaw valley. It was in the Kabaw valley that the Mizos got opportunity to have an interaction with the local people (Burmese). According to some historians, the Mizos learnt the art of cultivation while they stayed at the Kabaw valley. Khampat is known to have been the next Mizo settlement. The area claimed by the Mizos as their earliest town was located here (Joshi H.G, 2005). Dietary practices, customs, traditional values, legends, oral history, folklore and linguistic affinity are some of the bases on which these investigations are conducted. As was orally passed on from generations to generations, the last wave of migration of the Mizo tribes from Myanmar to India took place at about the time, or soon after, the institution of hereditary chieftainship gradually overtook their earlier practice of warrior chieftainship. Once hereditary rulers were installed, genealogy, even if orally passed on, became a reliable record of sort. Based on the genealogy of the chiefs, early 18th century appears to be the most likely (Pudaite L.T, 2010). Although there can be no certainty about the period in which the Mizos migrated to the present Chin Hills in Myanmar, it is generally believed that this took place about four to five hundred years ago. However, the Mizos of Mizoram appear to have arrived at their present settlement relatively recently, perhaps in the late 17th or early 18th century (Ray, 2002)

1.3.3 The People

The morphological characters evidenced the Mizos belonged to one of the Mongolian racial groups. Historians believe that the Mizos belong to the Mongolian race of Tibeto-Burman group (Liangkhaia, 2002). They have yellowish skin colour, flat nose, broad face, black hair, medium or short stature, comparatively long body and short legs. Their language belongs to Tibeto Burman family. The word *Mizo* is a generic term and is literally meant hillmen (hill – *Zo*; men - *Mi*) or highlanders and under this there are various sub groups like Hmar, Lusei, Paite, Mara, Lai, Ralte, Ranglong, Bawm, Pang etc. All these groups have separate dialects which are closely analogous to each other. The most common language is Lusei dialect which is now called *Mizo tawng* and used for local official language in addition to English (Lalhunthara, 2012). The language has no script of its own but in the wake of British annexation the Christian missionaries came and reduced it to a written form in Roman script in 1894. Since then, Christianity and education simultaneously spread for and wide over the whole Mizoram (Lalthangliana B, 2005). According to the 2011 Census, the literacy rate in the state is 91.58 per cent. The Mizo society is a fun-loving and gregarious one having no class or caste distinction. The non-existence of caste or class distinction in Mizo society is its distinctive peculiarity in comparison with other societies in India. They are fond of dances and music. The mode of life changed as education spread rapidly among the Mizos, adopting the western style of life in many aspects. The state of Mizoram, being one of the most peaceful states in India, is marching to catch up other developed states and is following the path to the advanced and civilised life (Guide to Mizoram: part-iv, 1996).

Although the Mizos seemed to be one of the last segments to be absorbed into this region of the Indian political system, there is a tremendous transformation in the political and economic life in the later part of the 20th century. The classless Mizo community is now slowly getting stratified in line with the economic advancement of certain sections of the society. The post statehood era has witnessed the emergence of the propertied class displacing the earlier communal economy where everything belonged to the community. The emergence of private property has definitely vitiated the sublime peace of the traditional tribal community though the cleavages and tension arising out of it do not lead to any social conflict unlike in other parts of the mainland (Patnaik, Jagadish K 2008).

1.3.4 Social Life and Culture

Over the years, the Mizo society has undergone remarkable changes in the structure of their social life. The Mizo code of ethics moved around an untranslatable term – *Tlawmngaihna*, meaning on the part of everyone to be hospitable, kind, unselfish and helpful to others (Sadangi, 2008). *Tlawmngaihna* to Mizo stands for the compelling moral force which finds manifestations of self-sacrifice for the service of the others. The Mizos have been enchanted to their new-found faith of Christianity with so much dedication and submission that their entire social life and thought-process been transformed and guided by the Christian Church organisations and their sense of values has also undergone drastic change (Laldinliana, 2010).

The social life of the Mizos have witnessed many changes in the last 100 years. They were in the habit of migrating and their social life was very simple in nature. They moved frequently from one place to another and every family in the village were closely connected with one another. Every member of a village was ready to help his fellow villagers in time of need. As a sociable and close-knit society, they evolve some principles of self-help and co-operation to meet social commitments and duties. Constructive social works known as *Hnatlang* were executed through voluntary community works. Every family was expected to contribute labour for the welfare of the community and participate in *Hnatlang.* The spirit of *Hnatlang* combined with *Tlawmngaihna* makes it mandatory for the Mizos to render all possible help on occasions of marriage, public feast, accident and death (Joshi H.G, 2005).

In the Mizo society, boys and girls, and even men and women could freely mingling among themselves barring exceptional cases. From childhood boys and girls play together and meet one another. But when they grow up, the girls are longer expected to freely go out as they are supposed to do household chores and remain in the house. The boys then go to the girl’s house for courting. Every courting should not necessarily be utilised for exchange of love nor should it be held between two lovers only. Many boys can go to a girl’s house at a time. In many cases, boys and girls developed love affairs out of courting which lead them to get married. Almost all marriages among the Mizos are love marriages (Lalhunthara, 2012).

Although there is freedom of choice of life partner, it is seen that the Mizos prefer to maintain marriages within their own defined social group. Regarding marriage, monogamy is practised by all (except by a Christian sect called *Chana Pawl*[8]). In earlier times, polygamy was commonly practiced by the village chief, but now it is virtually unknown among the residents of Mizoram. The Mizo society practice patriarchal system of society and if a father dies, his sons will share the property and in most circumstances, it is implied that the youngest son inherit the property. In modern times, in the event of distribution of family properties, women are liberally given a portion of properties such as land, buildings and other immovable properties.

Even after Christianity entered and covered the entire Mizoram state, the Mizos still kept alive some of their cultural heritage. *Chapchar kut, Pawl kut and Mim kut* are the three major festivals (*kut*) of the Mizos. Out of these three festivals, *Chapchar kut* remains the most popular. It is observed in the month of March after intense clearing of jungles for cultivation. *Pawl kut,* a festival of harvest is observed in the month of November, after the rice has been harvested. *Mim kut,* observed in the month of September, is a small festival, observed in honour of the soul of the departed member in the family. Some of the popular dances of the Mizos are- *Cheraw* (also called bamboo dance), *Chheihlam* (a dance in the evening when the day's work is over), *Khuallam* (a dance performed by a group of people in honour of guests or visitors) and

[8] *Chana Pawl is* a Christian sect formed in June 1942. The head of the sect, Ziona is recorded as the head of the 'world's largest existing family' (Ripley's) with 39 wives, 94 children, 14 daughters-in-law and 33 grandchildren; 181 in total and counting, all living in Baktawng village, Mizoram, India.

Sarlamkai (a dance performed by Pawi and Mara community in the southern part of Mizoram).

1.3.5 Demographic

As per the 2011 Census, Mizoram has a population of 10,91,014. Out of the total population, there were 5,52,339 males and 5,38,675 females. The highest population was seen in the Aizawl district with 36.7 per cent of the total population in the state whereas Serchhip district has the lowest population with only 6.1 per cent.

The population of Mizoram forms only 0.09 per cent of the total population of India. The state's population is sparsely and unevenly distributed as compared to the national population density. The density of population as per the 2011 Census is 52 persons per sq. km. while that of all India is 382. Among the states in the north eastern region of India, Mizoram is the second lowest, only next to Arunachal Pradesh in respect of population density.

The literacy rate of Mizoram, according to 2011 Census, is 91.58 per cent, which makes it a relatively highly literate state in India. This is far higher than the national literacy rate of 74.04 per cent. Mizoram achieved the second position in literacy rate in India, next only to Kerala. The level of literacy among women is also high which is hardly observed anywhere in India (Shyam Nath, 2004). The Christian missionaries who were allowed to enter Mizoram by the British played a notable role in spreading education within the state. Not only do they converted the people into Christianity, the missionaries also set up schools in many villages. Christian missionaries in the 19th century developed the roman script alphabetic system for a written form of the Mizo language. Adoption of the Roman script for the Mizo language has facilitated the adoption of English as a second language. In Mizoram, sex ratio as per the 2011 Census is 975. This is higher than the national average of 940.

The demographic features of Mizoram is shown in Table 1.1. The decadal growth of population was highest during 1971-1981 which was 48.5 per cent whereas the lowest growth was witnessed during 1911-1921 which was 7.9 per cent only. The growth rate of population during the last decade i.e., 2001-2011 was 22.8 per cent, (approximately 2.8 per cent every year). One interesting feature to be noted is that in every Indian Census, from the year 1901, the decadal growth rate of population in Mizoram has always been higher than population growth rate at the all India level.

Table 1.1

Demographic Features of Mizoram: 1901-2011

Year	Males	Females	Total	Percentage decadal growth (Mizoram)	Percentage decadal growth (All India)	Population density per sq. km	Sex ratio	Literacy rate
1901	39004	43430	82434	-	-	4	1113	NA
1911	43028	48176	91204	10.6	5.75	4	1120	NA
1921	46652	51754	98406	7.9	-0.30	5	1109	NA
1931	59186	65218	124404	26.4	11.00	6	1102	NA
1941	73855	78931	152786	22.8	14.22	7	1069	NA
1951	96136	100066	196202	28.4	13.30	9	1041	36.20
1961	132465	133598	266063	35.6	21.60	13	1009	44.01
1971	170824	161566	332390	24.9	24.80	16	946	53.79
1981	257239	236518	493757	48.5	24.60	23	919	74.26
1991	358978	330778	689756	39.7	23.87	33	921	82.27
2001	459109	429464	888573	28.8	21.54	42	935	88.80
2011	552339	538675	1091014	22.8	17.64	52	975	91.58

Source: *Provisional Census Total-India Data Sheet*, Census of India 2011, Ministry of Home Affairs, Government of India

1.3.6 Administrative Divisions

The administrative history of Mizoram, formerly known as Lushai Hills, is said to have started from 1890 when the British occupied the area. Mizoram (Lushai Hills District) was administratively divided into two districts namely, North Lushai Hills District with headquarter at Aizawl (state capital) and South Lushai Hills District with headquarter at Lunglei.

Till the end of August 1954, Mizoram was administratively referred as the Lushai Hills. The Union Parliament however, by an Act called the Lushai Hills District (Change of Name) Act, 1954 changed the name Lushai Hills District to Mizo District with effect from September, 1954. Around this time, the political consciousness began to manifest itself among the Mizos. The then Mizo District Council continued to be a part of Assam till January 1972, when it was made a union territory with its name Mizoram under the North Eastern Area (Reorganisation) Act, 1971. On the 17th August, 1986, the Union Parliament passed the 53rd Constitution Amendment Bill 1986 and the Mizoram State Bill, 1986. Accordingly, the Mizoram State Bill made changes to the schedule 1 and 4 of the Indian Constitution and then Mizoram became a full fledged state, the 23rd state of the Indian Union on the 20th February, 1987 (Rualkhuma Colney, 1997). Mizoram became a full-fledged state as a result of the peace accord between the Mizo National Front (MNF) and government of India in June, 1986 (Lalnithanga P, 2005).

Within three decades after it was conferred a district status, Mizoram had undergone such significant administrative changes from a district to union territory and then to a full-fledged state. No doubt, great and spectacular economic growth and prosperity seem to have been brought about as a result particularly in urban areas but in reality the rural areas remained untouched and unaffected to a large extent (Lawmzuala K, 2003).

The state is now divided into eight administrative districts namely - Mamit, Kolasib, Aizawl, Champhai, Serchhip, Lunglei, Lawngtlai and Saiha (Exhibit 1.4). Aizawl district is located in the middle north of the state, between 24°25’16.14” and 23°18’17.78”N latitudes and 92°37’03.27” and 93°11’45.69”E longitude. It is bordered by Champhai district in the east, Serchhip district in the south, Mamit and Kolasib district in the west and the state of Assam in the north. The total area accounts for 19.97 per cent of the total geographical area of the state. According to the 2011 Census, Aizawl district has a population of 404,054 with a sex ratio of 1009 females for every 1000 males, and a literacy rate of 98.5 per cent. The district has a population density of 113 person per square kilometre. Its population growth rate during 2001-2011 was 24.07 per cent.

Exhibit 1.4 Map of Mizoram: District wise

Source : www.mapsofindia.com

1.3.7 Climate, rainfall and topography

The climate in Mizoram is pleasant to cool in the upper reaches and humid in the plains but still tolerable. The winter temperature varies from 11°C to 24°C and in the summer it varies between 18°C and 29°C which makes the state fairly comfortable throughout the year. In between March and April the state experiences fierce storms coupled with lightnings indicating the beginning of summer. Temperature is highest in summer during May to June, but from June onwards the monsoon rains bring down the temperature. Winter is observed during September to January and spring starts from February and lasts till end of April. Mizoram enjoys a moderate climate due to its tropical location. The entire state is under the direct influence of the south west monsoon with humid tropical climate having short winter and long summer with heavy rainfall as the state is under the influence of monsoon. Rainy season is observed from May to September. July and August receive the heaviest rainfall while December and January are the driest months. The average annual rainfall in the state is 2500 mm (Rualkhuma Colney, 1997).

Mizoram has hill ranges running from north to south. The average height of hills is 900 meters but the highest peak in the state, the Blue Mountain (*Phawngpui in Mizo*) stands at a height of 2165 meters. The hills are usually steep and are separated by narrow rivers creating deep gorges between the hill ranges. The steep hills are densely forested with bamboo and wild banana (Rintluanga Pachuau, 1994). The other ranges are Mawmrang, situated in between Chalfilh and Sialkal range in Aizawl district, Hmuifang range at the center of the region and Reiek range in the western side of Aizawl city. The western part of the state is characterised by mountain ridge and valley. This province covers almost half of the total geographical area of the state. The altitude in this area is ranging from 40 meters to 1550 meters, and the average altitude is 700 meters. The altitude is low in the western part and rises higher towards the east. The slopes are generally steep on the western part. Other noticeable mountain ranges in this area are Mamit range and Hachhek range which are located in the western part of Aizawl district (Lalhunthara, 2012)

There are a large number of rivers in Mizoram but only a few of them are big enough to be worth mentioning. Tlawng river which originates from Lunglei town is the biggest and longest in the state. It flows from south to north direction and enters Cachar district of Assam to join Barak river. It is navigable by small boat throughout the year and is considered the most important water transport in Mizoram. Tuirial and Tuivawl rivers are also important rivers in the state (Rintluanga Pachuau, 2009). Chhimtuipui River, also known as Kaladan originates in Chin State in Burma and passes through Saiha and Lawngtlai district in the Southern tip of Mizoram. This river now possesses a strategic importance for the state and the North Eastern part of India as it is to be connected to the Sittwe port (Myanmar) and eventually to the Bay of Bengal through the Kaladan Multi Modal Transit Transport Project.

1.3.8 Economy

Agricultural and allied activities (Primary sector): Agriculture is the main occupation of the people of Mizoram. About 60 per cent of the people are directly or indirectly dependent on agriculture. Because of the hilly topography, there is scarcity of plain areas where cultivation can be practiced by using modern tools and techniques and, thereby, jhum or shifting cultivation pattern is mainly followed by the farmers. Agriculture and allied activities comprise of agriculture (including animal and crop husbandry), horticulture, fishery, and forestry. The share of agricultural sector in GSDP shows a declining trend over the years. In Mizoram, the agricultural production consists mainly of Kharif crop. The contribution of Rabi crop is quite negligible because of climatic condition and of rainfall cycle. The high dependency on agriculture and allied activities for earning livelihood coupled with limited irrigation potential in the state resulted in only single crop on most lands. Agricultural and allied sector could manage to contribute 22.52 per cent during 1999-2000. In 2007-08, its contribution is 14.9 per cent and then in 2013-14, it gradually increased to 17.05 per cent of the Gross State

Domestic Product (GSDP). This suggests the need to explore options for expanding livelihood. In addition, the state experienced bamboo flowering in 2007 to 2008 which had severe adverse impact on agricultural production and resulted in low agricultural growth.

In Mizoram, the crops totally depend on monsoon rain because of non-availability of irrigation facilities worth mentioning. Hence, the yield per hectare is quite low. Only three per cent of the total area is considered as available potential area for paddy and other seasonal crops. But only 1.5 per cent of suitable slope areas have been brought under horticulture. About 63 per cent of the total cropped area is under *jhum* or shifting method of cultivation. The economic life of Mizos has always been centered on and around *jhum* or shifting cultivation. Champhai and North Vanlaiphai are some of the areas taken up for irrigation projects. The principal crops are rice, ginger, maize, chilli, bean etc. There is vast scope for cultivation of tapioca, sugarcane, cotton, pulses and oilseeds in the state (Sadangi, 2008).

Industrial sector (Secondary sector): Industrialisation in Mizoram is still an infantile stage. The entire state had been notified as backward and is categorised as 'No industry State' due to non-existence of large or medium scale industries. Only small, tiny, cottage and village industrial units exits and hence, Mizoram continues to remain as an industrially backward state. The contribution of manufacturing industry among the other industries in the industry sector stood at 0.97 per cent of the Gross State Domestic Product (GSDP) in 2013-14 (Mizoram Economic Survey, 2013-14).

The main reasons behind the relatively slow industrial development in Mizoram is due to its topographical and geographical disadvantages coupled with under developed infrastructure and transport bottleneck. However, the micro and small enterprises are slowly gaining momentum. The state has witnessed a low scale but increasing migration of workforce from agriculture and related activities to non-agriculture sector, especially towards the services sector. At present, more than 80 per cent of the total numbers of enterprises in the state are from popular activities like furniture making, aluminium and steel fabrication, tailoring, automobile repair services, handloom weaving and bakery (Lalhunthara, 2010).

The industrial sector (or secondary sector) comprises of mining and quarrying, manufacturing, construction, electricity, gas and water supply. This sector contributed Rs. 2,68,217/- lakhs during 2013-2014. The main determinant of this sector being construction contributed 21.91% to the GSDP in 2013-2014. The percentage share of this sector in GSDP in 2002-03 increased to 16 per cent after experiencing a decline in the two previous years. Then from, it peaked in 2005-06 at 18 per cent but fell at 16.81 per cent of GSDP in 2012-13. Manufacturing and mining & quarrying hardly contribute two per cent of the state income.

Services sector (Tertiary sector): Services sector which makes around 60 per cent of the GSDP of Mizoram during the past five years comprises of transport, storage and communication, trade, hotels and restaurants, banking and insurance, real estate and business service, public administration and other services. Over the years, services sector has always the highest contribution to GSDP, and remains the driver of the economy of Mizoram. Taking their share from the GSDP, the tertiary sector is mostly driven by public administration (19.06 per cent), real estate and business services (14.55 per cent), ownership of hotel and restaurants (8.06 per cent). From 1999-2000 to 2013-14, the contribution of agricultural sector normally ranges from 13 per cent to 22 per cent, industrial sector normally ranges from 15 per cent to 20 per cent while the contribution of services sector ranges from 61 per cent to 67 per cent.

1.3.9 Infrastructure

The kind of infrastructure put in place determines whether growth does all that it can to reduce poverty. Most of the poor are in rural areas and the growth of farm productivity and non-farm rural employment is linked closely to infrastructure provisions. Therefore, stress has to be laid on infrastructure development essential for promotion of rural enterprises which would ultimately help in creating employment and increase in national output (Agarwal, 2003).

Electricity came to Mizoram in 1962 when Aizawl was electrified with a generator of 837 kilowatts while Kolasib and Lunglei got electrified in the year 1969 (Upadhyaya K.K, 1986). Although Mizoram possesses a vast hydel potential, the progress of harnessing such potential is very slow. This creates a huge gap between demand and supply of electricity. As a result, the power supply situation in the state continues to remain quite unsatisfactory.

As per the Annual report 2013-14, Central Electricity Authority (CEA), the potential availability of hydro power in Mizoram is estimated at 2196 MW, out of which only about two per cent is presently utilised and around 98 per cent of hydro potential availability in Mizoram is unutilised (Economic Survey Mizoram, 2013-14).

The National Highway (NH) 54 is the only main road which connects the state with the rest of the country via Silchar (Assam). The state of Mizoram imports practically all the requirements of consumer goods, machineries and equipments, through this highway. Because of this, the NH 54 can be said the life line of Mizoram economy. All other means of transport like railways (except a small meter-gauge railway link up to Bairabi with a possible extension up to Sairang) and ropeways are absent (Agarwal, 2003).

As per the Mizoram State Road Statistics 2014, the total length of all types of roads in Mizoram as on 2014 is 7548.03 km and road density is 35.80 km/100 sq.km approximately while the average national level, road density is 129.00 Km/100 sq. km. Formation, cutting and black topping of roads are a continuous process, but in spite of priority given to this sector, non-availability of adequate funds and resource constraints hamper the progress. As already mentioned, Mizoram is a hilly area, the roads are frequently damaged by landslides, flash floods, blockade of roadside drains and breaking of retaining walls during monsoon. Any disruption in the transport system on NH 54 causes rise in price of essential goods and development activities suffers in the absence of any alternate efficient mode of transportation.

Since 1991 Mizoram has figured in the railway map of India but with a distance of 1.5 km only which extend into Mizoram up to Bairabi. The train carrying both passengers and goods are arrived at this station regularly once in a day. However, since Bairabi station is far from other parts of Mizoram, the role of railways in the economy is almost negligible. The new railway line project from Bairabi to Sairang (about 20 kms from Aizawl) having a length of 51.38 km was sanctioned in the Railway Budget 2008-09 at a total cost of ₹510.34 crores. A '*Task Force on National Railway Project*' has been constituted to function as a mechanism of continuous interaction between the Railways and the state government.

The only airport in the state at Lengpui, 40 kms from Aizawl, was inaugurated in December, 1998 which replaced the earlier airport located in Tuirial. Presently, air travel services are operated by Indian Airlines and Jet Airways which links Mizoram with Kolkata, Guwahati and Imphal.

In a less developed state like Mizoram, where scarcity of financial resources is one of the constraints for accelerating the pace of industrial development, an efficient and responsive banking system is of utmost importance. The setting up of State Bank of India (SBI) in Mizoram in 1972 marked the entry of modern banking in the state. The State Bank of India**,** being the lead bank in the state took up the responsibility to increase the business in the state. In 1982, Mizoram Cooperative Apex Bank Ltd (MCAB) was established. Mizoram Rural Bank (MRB) was started in 1983. Of late, many private banks have started their operations in the state. In addition to the banks, development financial institutions like NABARD, SIDBI and NEDFi also have their presence in the state.

The total bank branches functioning as on 30.9.2014 stood at 159 against 140 bank branches as on 31.12.2013 which is an increase of 13.57 per cent. It is observed that the population served per branch comes to around 6,901 in Mizoram which is favourable compared with the national average of 15,000. However, the location of bank branches in the state has been skewed in favour of urban areas (Economic Survey Mizoram, 2013-14). It can be seen that the loans and advances disbursed to industrial sector was not only the least among the three sectors, but it shows a declining trend. On the other hand, the share of services sector was in an increasing trend.

There are 387 post offices in the state in 2013-14, out of which nearly 346 were in rural areas and the rest were in urban areas.

The Bharat Sanchar Nigam Ltd (BSNL) provides landline and mobile services while other operators like Airtel, Vodafone, Idea Cellular, Reliance, Aircel, etc. provides mobile services in the state. Latest technology 3G (Third Generation) mobile network was available in 2014 for cities and towns within the state. Broadband services are now available in all the district headquarters and other towns/villages.

1.3.10 Aizawl City – The Capital of Mizoram

In 1871-72, the disorderly conduct of Khalkom, a Mizo chief, compelled the British to establish an outpost that later became the Aizawl village (Kabra, 2008). In 1890, officer Dally of the Assam Police and his 400 men arrived at Aizawl to support Colonel Skinner's troops during a British military operation against the Mizo tribals. On Dally's recommendation, Aizawl was selected as the site of a fortified post that Colonel Skinner had been ordered to construct. The troops constructed stockades and buildings at the site. In 1892-95 Aizawl became accessible from Silchar by fair weather road under the supervision of Major Loch. The Indian Air Force carried out air strikes on the town during the March 1966 Mizo National Front uprising, following which the MNF withdrew to Lunglei. Until 1966, Aizawl was a large village but the regrouping of Mizo villages after the uprising made it become a larger town and then a city. Aizawl has become the centre of road network in Mizoram connecting the north and south, east and west.

Aizawl, the capital of Mizoram, is situated in the northern part of the state. It has a population of 2,91,822 where 98.80 per cent of its inhabitants are literates (2011 Census). Aizawl, the largest city in Mizoram, is located north of the Tropic of Cancer in the northern part of Mizoram. It is located at 1,132 metres (3715 ft) above sea level, with the Tlawng river valley to its west and the Tuirial river valley to its east. Aizawl has a mild, sub-tropical climate due to its location and elevation. Under the Köppen climate classification, Aizawl features a humid subtropical climate (Cwa) but very rainy. In the summer the temperature ranges from 20–30 °C (68–86 °F), and in the winter 11–21 °C (52–70 °F). Aizawl is accessible by air (Lengpui airport) and by road (National Highway 54) from other parts of India but no railway connection is available (the nearest station being 184 kms away).

Aizawl is now under the management of the Aizawl Municipal Council (AMC) which started functioning in the year 2008. As per the AMC, there are 69 localities which are grouped into 19 wards. At present the major commercial banks in existence in Aizawl includes the State Bank of India (SBI), Vijaya Bank (VB), United Commercial Bank (UCO), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI) Bank, Axis Bank, Mizoram Rural Bank (MRB), Mizoram Cooperative Apex Bank (MCAB), and Mizoram Urban Cooperative Bank (MUCO). As on 31.12.2013 there were 146 bank branches from the 23 banks functioning in Mizoram. The commercial banks provide finance to business and industry under various schemes, which can be classified into 4 (four) categories, namely - small scale industry advances (SSIs), small business finance (SBF), agricultural (AGL), and personal advances. In the insurance sector, Life Insurance Corporation of India (LIC), National Insurance Company, Birla Sun Life, Bajaj Allianz, ICICI Prudential, Max Life India, Tata AIG and United India Assurance are the main players. However, most of the banks have a single branch operating from the capital city of Aizawl only. Even today LIC is having a single branch located in Aizawl. Of late, few stock-broking agencies such as ICICI Securities, Angel Broking, Share Khan and Karvy Consultants along with some commercial banks have started their operations in Aizawl. The investors have also started showing interest in mutual fund investments.

1.4 REVIEW OF LITERATURE

There are many studies conducted by the institutional and individual researchers in the field of investor behaviour in India and abroad. In this section, it is attempted to review the relevant literatures with a purpose of identifying the research gap.

The 'Modern Portfolio Theory' put forward by Markowitz (1952) suggests a hypothesis that expected return on a portfolio for a given amount of portfolio risk is attempted to be maximised or alternately the risk on a given level of expected return is attempted to be minimised. This is done so by choosing the quantities of various securities carefully, taking mainly into consideration the way in which the price of each security changes in comparison to that of every other security in the portfolio, rather than choosing securities individually. By taking into consideration the relationship between risk and return, Markowitz uses mathematical models to construct an ideal portfolio for an investor that gives maximum return depending on his risk appetite. This theory states that each security has its own risks and that a portfolio of diverse securities shall be of lower risk than a single security portfolio. Hence, the theory underlines the importance of diversifying to reduce risk.

Kahneman and Tversky (1979) in their ground-breaking Prospect Theory described how people generally identify or evaluate probabilities. They propounded that people overweigh outcomes that are considered certain, relative to outcomes which are merely probable, a phenomenon which they called the Certainty Effect. Certainty Effect indicated that not only people treat probabilities as non-linear (i.e., people overweigh small probabilities and underweigh large probabilities) but also perceived certain outcomes (0 per cent and 100 per cent chance) as categorically different and weighed more heavily than uncertain outcomes. According to the Certainty Effect, in the domain of gains, because people overweigh certainty, and gains are desirable outcomes, overweighing a sure gain leads people to choose it over a risky gain. Conversely, in the domain of losses, because people overweigh certainty, and losses are unattractive outcomes, overweighing a sure loss leads people to not choose it over a risky loss. Thus, it determined that risk aversion arises when gains are desirable and risk seeking arises when risky losses outweigh sure losses.

Statman (1988) propounded that people trade for both cognitive and emotional reasons because they think they have information. In reality, they make nothing but racket and trade only because trading gives them satisfaction. Trading gives them pride when the decisions they made are profitable, and brings regrets when they are not. Investors try avoiding recognition of losses in order to avoid the pain of regret, they in turn make their investment advisors into scapegoats and avoid buying stocks of companies with low reputations.

Burney and Khan (1992) indicated that more educated household have higher consumption expenditure, and that they are likely to save less portion of their income and that various categories of education have a negative influence on household savings,. They further revealed that since the decision of how much to save is generally taken by the head of the households, the level of education of the household head seems to be the relevant variable affecting the investment behaviour of households.

Horvath and Zuckerman (1993) concluded that a person's biological, socioeconomic and demographical profile in connection with his/her psychological form affects the risk tolerance level and, hence, the investment preference of an individual.

In their study on investors in North East India, Sikidar and Singh (1996), revealed that majority of the investors in mutual funds were the salaried and self-employed, their primary reason being tax concessions. From their research it was seen that, during their research period, only UTI and SBI schemes were popular in the north eastern part of India while other funds had yet to carve a respectable share in the mutual fund market in the region.

Samuelson and Zeckhauser (1998) in their study on decision making process found that decision makers exhibit a significant status quo bias. They noted that people adhered to status quo choices more frequently than would be predicted by the canonical model. Individuals exhibited a significant status quo bias across a range of decisions. The degree of bias varied with the strength of the individual's discernible preference and with the number of alternatives in the choice set. The stronger was an individual's preference for a selected alternative, the weaker was the bias. The more options that were included in the choice set, the stronger was the relative bias for the status quo.

Booth et al (2000) stated that inflation and change in interest rates greatly influence the savings habit of people. If inflation is outstripping interest rates, individuals are likely to buy durables such as vehicles or furniture, rather than put money into savings even if this means accessing additional credit to do so. If price inelastic goods such as fuel or food drives inflation, the impact is likely to be an increase in consumption costs and thus reduced ability to save.

Banks and Smith (2000) in their study of *UK Household Portfolios* found that the total financial assets (excluding real estate assets) of households in UK grew from £273 bn in 1880 to £1973 bn in 1995. They found that the proportion of savings account and bonds from the total portfolio decreased during the 15 years at 33.70 per cent to

21.50 per cent and 4.6 per cent to 0.8 per cent, respectively. In another aspect, stock investments and pension funds grew from 13.9 per cent to 17.1 per cent and 34.80 per cent to 49.40 per cent.

Grinblatt and Keloharju (2001) found that past returns, reference price effects, the size of the holding period capital gain or loss, tax-loss selling, and, to a small extent, the smoothing of consumption over the life cycle all are the main determinants of trading. Investors also tend to be reluctant to realize their losses except in December, when the urge to realize large losses for tax purposes tends to eliminate this effect and that tax-loss selling primarily arises in the last two weeks of the year and that reference prices matter. They found that foreign investors tend to be momentum investors, buying past winning stocks and selling past losers. Domestic investors, particularly households contradicted the same. This difference in investor behaviour was consistent in regular intervals. The portfolios of foreign investors outperformed the portfolios of households, even after controlling the behaviour difference.

In a survey conducted in 10 cities in India, Swarup (2002) analysed the decisions taken by the investors while investing in primary markets while analysing the factors affecting primary market situation in India. The survey evaluated various revival measures available for improving investor confidence. The survey revealed that the investors give importance to own analysis and market price as compared to broker's advice.

In his study on rural Kerala, Unny (2002) found that the propensity to save in the rural household sector is very high. Level of income, level of education of the head of the household, value of assets and income inequalities positively influence savings whereas number of male children, number of earners and dependency ratio have a negative influence. Among all the occupational groups, households engaged in non-farm sector have relatively higher propensity to save. His study found that perceptions of number of female children having a positive influence on savings was not seen among the rural areas of Kerala as this factor shows a negative influence.

Julan Du (2004) developed a behavioural finance model that may explain under reaction and overreaction in asset markets from the perspective of heterogeneous investors with different confidence levels. The model explains the occurrence of under reaction by the sequential entry of investors with different confidence levels in interpreting earnings shocks. It is shown that in repeated trading episodes with repeated earnings shocks, the average investor confidence level would be higher as a result of the biased self-attribution and confirmatory bias, causing overreaction more likely to occur. Also, the higher average confidence level of investors gauged by the later timing of winding up their asset holding positions also makes overreaction more likely to occur.

Baele et al (2005) in their study on banks established that diversification affects banks' franchise values positively. Diversification increases the systematic risk of banks while the effect on the idiosyncratic risk component is non-linear and predominantly downward-sloping. They further claimed that their findings have conflicting implications for different stakeholders, such as investors, bank shareholders, bank managers and bank supervisors.

In their study on 22,000 individuals living in Germany, Dohmen *et al* (2005) found that, among all age groups, women are less willing to take risks than men. They also found that increasing age is associated with decreasing willingness to take risks, taller individuals are more willing to take risks and persons with highly-educated parents are more willing to take risks.

Retail Investor Survey (2005) done by the Securities and Futures Commission of Hong Kong (SFC-HK) found that the majority (86 per cent) of stock investors traded Hong Kong stocks only, 2.4 per cent invested in mainland China or foreign stocks while 11.6 per cent of stock investors traded both in Hong Kong and other stocks. Personal financial consultants (advisers/planners) from banks were the most popular (60.5 per cent) type of investment advisers used by retail investors, followed by representatives of SFC-HK licensed investment advisory firms or financial planning firms (15.8 per cent). Among individuals who had not invested in any investment products in the last two years, 36.80 per cent cited that apart from no surplus money available for investing, "no investment knowledge" was a reason for not investing, followed by "no interest" (18.50 per cent) and "risk averse" (17.90 per cent).

Merton and Bodie (2005) suggests that in the absence of a financial system that can provide the means for transforming technical innovation into broad enough implementation, technological progress will not have a significant/substantial impact on the economic development and growth of the economy. Therefore, countries like China or even Japan, that need to undertake restructuring of their financial systems, should consider not only their short-run monetary and fiscal policies, and not only the impact of these policies on national saving and capital formation, but also how changes in their financial institutions will affect their prospects for long-term economic development. Policies designed to stimulate innovation in the financial system would appear to be more important for long-term economic development.

Webley (2005) found that children make great developments in economic understanding between the ages of 6 and 12, such that children's understanding is quite adult-like around age 12. A series of small studies using games have shown that 6-year-olds may understand that it is good to save, but may view money saved as money lost. By age 9, they may understand that they can save with a bank to protect their money.

Indian Household Investors Survey-2004 (2005) carried out by the Society for Capital Market Research and Development based on direct interviewing of a very large sample of 5908 household heads over 90 cities/towns and across 24 states/union territories observed that price volatility, price manipulation and corporate mismanagement have persistently been the household investors' top three worries in India. The study found that a majority of the retail investors in India do not regard mutual fund equity schemes as a superior investment alternative to direct holding of equity shares. The percentage of households who owned equity shares is more than $2\frac{1}{2}$ times the percentage of those who owned any mutual fund schemes. According to the study, investor education still has a long way to go in educating the masses on the pros and cons of investing. Around 50 per cent of investors had a negative opinion on company managements while around 60 per cent of the investors rated the capital market regulators as good or excellent. The Indian mutual fund industry as a whole holds just around 2 per cent of the market capitalisation of listed equity shares showing that mutual fund cult has yet to catch up in India. Retail investors overwhelmingly prefer bank deposits rather than liquid/money market funds. Shareholding in 3-10 companies is the dominant practice among retail shareholders in all income and age classes. Middleclass investors' investment targets are generally long term based and conservative. It also showed that a majority of the shareholders have not joined the depository system as, according to the survey, individual shareholder were around 2 crore in 2004 whereas the number of shareholders having depository account were only a little over 70 lakh.

Kaestner (2006) found that investors simultaneously exhibit short-term under reaction to ‘earnings announcements’ and long-term overreaction to ‘past highly unexpected earnings’. A potential explanation for the reported overreaction phenomenon is the representativeness bias. The author presented that overreaction and the later reversal is stronger for events which exhibit a long series of similar past earnings surprises.

The study on the impact of investment climate indicators on gross capital formation in developing countries conducted by Dao (2006), based on data from the World Bank Investment Climate Surveys for a sample of thirty-six developing countries, found that corruption constraint as measured by the share of senior managers that ranked ‘corruption’ as a major or very severe constraint in the investment structure.

Dong et al (2006) in their analysis of the demand of individual investors towards dividends indicated that investors want dividends, partly because the transaction costs of cashing in dividends are lower than the transaction costs involved in selling shares. They indicated that individual investors do not tend to consume a large part of their dividends. This raises some doubt as to the effectiveness of the reduction or elimination of dividend taxes in order to stimulate the economy.

Viswambharan (2006) examined the recent trends in primary market, the current IPO system – book building process, opportunities for investors, problems faced by the investors. He opined that investors should rely on long term investment than on speculation. He suggested that investor education should be strengthened while commercial banks take-up investment consultancy for their clients to improve investor participation.

In his study on household investment by Philippine migrants in other countries, Yang (2006) found that due to their locations in a wide variety of countries, overseas Filipino workers were exposed to exchange rate shocks of various sizes in the wake of the Asian financial crisis. He found that large, exogenous shocks to the income and wealth of Philippine migrant households, which manifest themselves in part via changes in remittances, have negligible effects on household consumption but large effects on various types of household investments. Households experiencing more favourable exchange rate shocks raise their non-consumption disbursements in several areas likely to be investment-related, keep children in school longer, take children out of the labour force, raise their hours worked in self-employment, and are more likely to start relatively capital-intensive entrepreneurial enterprises.

Aziz and Chiu (2007) found that if China is to rebalance growth towards greater dependence on household consumption, improving the distribution of national income between profit and household income appears to be a quantitatively important factor. They proposed that in order to increase household investment, improving the overall financial conditions of the banks in China was considered the most important. Therefore, a key reform would be to put in place in the bank risk-management and risk-pricing practices so as to enable the banks to price differentiate its clients better and ease such borrowing constraints on small and medium enterprises. They further concluded that removing the cap on deposit rates will allow the smaller banks to better compete with the larger ones, and could increase deposit rates from its present low rates, helping to improve household incomes.

Chandra Mouli (2007) in his study on investment culture in North Coastal Andhra found that most of the investors were not aware of the various investment alternatives available to them and, hence, were forced to limit their investments on traditional assets. Majority of the respondents expressed their unawareness of investment avenues including equity shares (47 per cent), preference shares (47 per cent), mutual fund (43 per cent), etc. and that there were no significant relationships between age and investor awareness level. Further, he observed that bank deposits, life insurance and small saving schemes were their most preferred investment avenue.

Montier (2007) in his book on behavioural investing noted that value stocks have had lower volatility and higher returns while growth stocks have had higher volatility and lower returns and remains the antithesis of the Capital Assets Pricing Model (CAPM), which postulates that risk and return go hand in hand. Montier identified three stock-selection strategies designed to benefit investors after bubbles on stock markets has burst, namely - emphasis on balance sheet strength, earnings quality, and analysis of capital expenditures. He also pointed out that the best way to avoid problems in riding a bubble is to stop relying on pointless forecasts much as Graham and Dodd did with their value-based strategies based on trailing earnings.

Nilsson (2007) addressed the growing industry of retail socially responsible investment (SRI) profiled mutual funds. The study examined the impact of a number of pro-social, financial performance, and socio-demographic variables on SRI behaviour in order to explain why investors choose to invest different proportions of their investment portfolio in SRI profiled funds. The study showed that women and better-educated investors were more likely to invest a greater proportion of their investment portfolio in SRI. Overall, the findings indicated that both financial perceptions and pro-social attitudes are connected to consumer investment in SRI.

Westaway and McKay (2007) in their study in the United Kingdom found that there was a gap in savings habit between women and men that was not determined by income differences. Women were as likely to save as men, but they saved less money. Women were more likely to save for the short term whereas men were more likely to save for the long term. They also found that women's savings patterns were more likely to be changed by distinctive lifetime events such as having a child or getting divorced.

Mittal and Vyas (2008) noted that investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. They classified Indian investors into four dominant investment personalities (casual, technical, informed and cautious) and explores the relationship between various demographic factors and the investment personality exhibited by the investors.

In their article, '*Identifying perceptions and perceptual gaps: A study on individual investors in selected investment avenues*', Shollapur and Kuchanur (2008), indicated that investors hold different perceptions on liquidity, profitability, collateral quality, statutory protection, etc., for various investment avenues. In addition, the investors fix their own priorities for these perceptions. The formation of perceptions triggers the investment process in its own way, often leading to unrealistic apprehensions especially among individual investors. They suggested that new strategies be formulated for investors to develop a realistic perspective of the investment avenues and their attributes.

Jerath (2008) in her study on savings behaviour in NCT of Delhi explores the savings behaviour of households by studying their reasons for saving, attitude towards saving, extent of risk taken while investing savings/risk tolerance, savings ratio, and satisfaction with the level of savings, and also the change in reasons to save as the needs of households change. The study shows that as the household heads progress in age and occupational status, their satisfaction with level of savings increases. Satisfaction with level of savings is higher for household heads belonging to Delhi or those who have stayed for more than 41 years in Delhi. Households that are residing in their own houses, have higher income, higher savings, more than two earners and no dependent girl-child are found to be more satisfied with their savings.

Salahuddin and Islam (2008) investigated the gross investment behaviour in a panel of 97 developing countries spanning a period between 1973 and 2002. Fixed Effect Model was employed to analyse data. Variance Inflation Factor (VIF) test was conducted to ensure that the data were free from multicollinearity. Also, Granger Causality test is conducted to see if reverse causality exists. 2- Step 1st Difference Generalized Method of Moments (GMM) dynamic panel estimator has been employed to offset unobserved heterogeneity and endogeneity of regressors. The results suggest that investment decisions still seem to be significantly affected by traditional determinants such as growth, domestic savings, trade openness etc. The variable aid appeared to potentially affect investment which calls for developing country’s measures to ensure proper utilisation of it.

Selvam et.al (2008) observed the need for promoting equity culture, which deserves special attention for the development of economic growth. The study showed the current trend of equity culture, its implications and its revival and remedial measures. They suggested the intervention by government, SEBI and RBI and evaluation of suitable credit policy for projects in order to assure safety and assured returns to the investors, in order to restore investor confidence.

Subha (2009) addressed the current issues in the Indian capital market, lack of individual participation and the ways of restoring investor confidence. She concluded that the responsibility of creating an environment of trust and confidence lies with the regulators, stock exchanges and companies where each of them should act in a responsible way and provide a healthy atmosphere for the functioning of an efficient capital market.

Pandit (2009) in his book *The Art and Science of teaching children about Money*, observed that most parents do not take an initiative in teaching their children about money. They might touch on the concept of piggy bank and savings early on but are usually reluctant to discuss the topic of money and family finances with their children. He further stated that the key learning points for kids should be: having healthy values about money; setting goals and priorities; thinking and making prudent choices; delaying instant gratification; and understanding the virtues of hard work.

Bhatta (2009) made an attempt to throw light on the investors' biases that influence decision making process. He suggested the introduction of a time-bound programme to educate and counsel the individual investors about the wisdom required in stock trading and awareness of unethical and tactical practices of brokers, shady dealings of the companies and the insider trading.

Henderson and Birdthistle (2009) found that the nature of private-equity investing has changed significantly as portfolio companies have begun to experience serious financial distress and general partners have started to diversify and integrated their investment strategies in the recent years. Both developments have led private equity shops - once exclusively interested in acquiring equity positions through leveraged buyouts—to invest in other trenches of the investment spectrum, most particularly public debt. By investing now in both private equity and public debt of the same issuer, general partners are generating a host of new conflicts of interest between themselves and their limited partners, between multiple general partners in the same consortia, and between private investors and public shareholders. Investors are unlikely to off-set the risk of potential conflicts of interest fully, but an awareness of the problem, coupled with judicial modesty and clarity, as well as a new market for investments, should help reduce these costs for all investors.

Cole and Shastry (2009) reported a remarkable 7 to 8 per cent increase in the probability of financial market participation with only one additional year of schooling. The channels for education to affect stock market participation are multiple. Firstly, education reduces the costs of stock market participation defined in broad terms, as it is easier for educated investors to understand the risk-reward trade-off of markets and to actually execute trades. Secondly, education increases financial literacy and cognitive skills, or by affecting social networks, job opportunities and believes and attitudes

Kumar (2009) studied whether socio-economic and psychological factors, which are known to influence lottery purchases, lead to excess investment in lottery-type stocks. The results indicated that, unlike institutional investors, individual investors prefer stocks with lottery-type features. The demand for such lottery-type stocks increases during bad economic times and demand shifts influence the returns and idiosyncratic volatility of those stocks. The study indicates that people’s attitudes towards gambling are reflected in their stock investment choices and stock returns.

Simlai (2009) stated that India’s modern capital market did not emerge in a day. This market, since its inception in the 18th century with the establishment of the Bank of Hindustan (1770) in Kolkata, laid the foundation of the modern capital market in India. The history of Indian capital market could be divided into four parts where the first part covers the 18th and 19th centuries; the second part extends from the early 20th century up to 1947, the year of Independence; the third and fourth part covers the post-Independence era. The financial sector could also be segregated into two parts as one ending with 1990 and the other starting in the year 1991.

A study titled “The investment behaviour of private equity fund managers” conducted by LJungquist and Richardson (2009) using a unique dataset of private equity funds over the last two decades, analysed the investment behaviour of private equity fund managers. Based on recent theoretical advances, they linked the timing of funds’ investment and exit decisions, and the subsequent returns they earn on their portfolio companies, to changes in the demand for private equity in a setting where the supply of capital is ‘sticky’ in the short run. They found that existing funds accelerate their investment flows and earn higher returns when investment opportunities improve and the demand for capital increases. Increases in supply lead to tougher competition for deal flow, and private equity fund managers respond by cutting their investment spending. Their findings showed complementary evidence to recent papers documenting the determinants of fund-level performance in private equity.

Chattopadhyay and Behera (2010) stated that the Indian stock market is considered to be one of the earliest in Asia, which is in operation since 1875 but remained largely outside the global integration process until 1991. The much needed reform of the Indian stock market started with the establishment of Securities and Exchange Board of India (SEBI) in 1988, although it became more effective after the stock market scam (Mehta scam) in 1991. Indian stock markets has now reached the global standards with the establishment of SEBI and various technological advancements. The study finds that contrary to general belief, Indian stock market is not co-integrated with the developed market as yet. It is derived from the study that although some positive steps have been taken up, which are responsible for the substantial improvement of the Indian stock market.

Tunah and Tatoglu (2010) determined investment choices and factors affecting them by using multinomial logit model. They found that females, those who are married or with low levels of education, choose to invest in safer instruments like gold and time deposit instead of risky ones or requiring technical knowledge and pursuit. They also found a positive relationship between education level, income and investment instruments. As the education level increases, income and the probability of investing in high capital requiring instruments also increase. They noted that high relationship between playing games of chance very frequently and the probability of investing in stock exchange shows that these people approach similarly to both of them. The increase in the propensity to save increases also the probability of investing in Treasury bill, Government bond and real estate. According to their cross tabulation study, the increase in the number of credit cards used affects positively the probability of investing the portion of monthly income not used in the same month in stock exchange.

Bloomfield et al (2010) on their study of confidence and the welfare of less informed investors have indicated that less informed investors are over confident in investments. Providing more information to professional investors only could harm the welfare of less informed investors if less informed investors are not aware of the extent of their informational disadvantage.

Rajarajan (2010) revealed that the level of expenses, earnings and investment were associated with the size of the household. The investors were classified into 3 groups viz., active investors, individualists and passive investors. Cluster Analysis, Correspondence Analysis and Kruskal Wallis Test were used to study the association between lifestyle groups and the various investment related characteristics. He further observed that active investor group was dominated by officers, individual group by clerical cadre and passive investors group by professionals. The expected rate of return from investments varied between investment styles. The study clearly indicated that market performance of the share, company's operating level, capital performance and the expectation of the investors were found to influence the risk perception of the investors.

Singh and Chandler (2010) examined the investors' preference for investment in mutual funds and propounded that since interest rates on investments like PPF, NSC, bank deposits, etc., are falling, one of the best alternatives is to invest in capital markets through mutual funds. This helps the investor avoid the risks involved in direct investment. Considering the state of mind of the general investor, they found that the investors consider gold to be the most preferred form of investment, followed by NSC and post Office schemes. Investors belonging to the salaried category, and in the age group of 20-35 years showed inclination towards close-ended growth (equity-oriented) schemes over the other scheme types. A majority of the investors based their investment decision on the advice of brokers, professionals and financial advisors. The findings also revealed that the level of experiences of respondents positively correlates with the returns received from investments made in mutual funds.

Shobana and Jayalakshmi (2011) studied the investors' preferences, the level of investor awareness and the factors influencing investor awareness in Salem District. The study reveals that real estate, bank deposits and jewellery were the preferred investments. Investors above 50 years of age, post graduates and professionals had high level of awareness. Age and education do not have any significant influence over investor awareness but occupational status leads to difference in the awareness level of people.

Jadhav (2011) studied the development of securities market in India and observed that the Indian securities markets have witnessed far-reaching reforms in the post-liberalisation era in terms of market design, technological developments, settlement practices and introduction of new instruments. The markets have achieved tremendous stability and as a result, have attracted huge investments by foreign investors. He stated his view that there is still tremendous scope for improvement in both the equity market and the government securities market.

In a study on insurance sector in Mizoram, Gyanendra Singh (2011) found that among the households holding life insurance policies, 65 per cent of have two or more number of policies while the rest have only one life insurance policy. He further observed that 30 per cent of insurance policy holders have a sum assurance (SA) of ₹50,000 to ₹1 lakh, 24.38 per cent have SA of ₹1 lakh to ₹2 lakh, about 20 per cent have SA of ₹2 lakh to ₹5 lakh and only 10.63 per cent have SA above ₹5 lakh. Approximately two third of the policies owned by the respondents were either endowment plans or money back plans which clearly shows popularity of these two types of plans. He further observed that among policyholders of LIC in Mizoram, 42 per cent of the respondents indicated that better returns, attractive plans and reputation of the company as the main reasons for preferring private insurers as compared to public insurers.

In a study conducted by SEBI and NCAER on *How Households Save and Invest: Evidence from NCAER Household Survey* (2011), it is found that less than 8 per cent of Indians could be recognised as investors and the penetration level of security instruments is still very low when compared to other developing Asian countries. It also pointed out that a large percentage of the investors had a negative opinion about company management and the company auditors.

In another study on investors in North East India, Das (2011) observed that higher income group shows relatively high preference towards investment in share market, whereas, lower and average income groups show keen preference towards insurance and banks as the most preferred investment avenues. He further observed that the investors preferred unit linked insurance policies in order to receive short term gains.

Panda et al (2011) in their attempt to identify the investor awareness and attitude towards public issues in the city of Bhubaneswar revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. 'Safety and Regular Return' stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

Security Exchange Board of India (SEBI) along with National Council of Applied Economic Research (NCAER) (2011), conducted a comprehensive survey of the Indian investor households entitled, "*Survey of Indian investors*", in order to study the impact of the growth of the securities market on the households and to analyse the quality of its growth. The survey was carried out with the major objective of drawing a profile of the households and investors and to describe the demographics, economic, financial and equity ownership characteristics. The study revealed that majority of the equity investors had long term motive of investment while number of broker related problems was much higher than the issuer related problems.

Christiansen et al (2012) in their study on the effect of marriage and divorce on investment found that marriage causes men to reduce the fraction of wealth they hold in risky assets (indicating that marriage makes men invest less risky), whereas they increase risk after divorce. They further concluded that, while being married, women tend to learn more about investment and, thereby, increase their risk tolerance. They also found that both men and women increase their participation rate after marriage, whereas men reduce their rate of participation after divorce, though women do not. This indicates that marriage frees up economic resources and therefore makes individuals more likely to pay the stock-market participation costs.

Gyanendra Singh and Jyoti Kumar (2012) conducted a study to identify the marketing practices adopted by the LIC at the national level with special reference to Mizoram. The study remarked that there is a general perception that in a tribal economy of North East India region, people lack interest in savings such as fixed deposits, gold and shares. But, the research evidence from their study indicates that many customers in Mizoram were interested to insure and invest their money in ULIPs (eg. Market Plus and Wealth Plus) which are linked with the stock market index. The study suggested that the market players have to increase customer awareness on the benefits on such products which are meant for fulfilling the needs of specific customer groups.

In a study conducted by Lewis and Messy (2012), men were more likely to save when they became fathers; women less likely when they became mothers. The gender differences were much less evident for women without children. Young women (16-24 years) saved more than men, and were more likely to enroll in an employer pension scheme.

The *Parent, Kids and Money Survey* (2012) conducted by T.RowePrice, a global investment management firm, found that 32 per cent of the parents among the respondents claimed that they 'very often' have conversations about money and the importance of spending and savings on a regular basis while 44 per cent of the parents claimed that they 'somewhat often' have such conversation, 20 per cent of them does 'not very often' discuss such things and 4 per cent of the parents 'almost never' have such discussion with their children. The study further found that 54 per cent of the respondents' children go first to their mother with their questions about money while 40 per cent of the children go to their respective father for such query.

Singh (2013) in his study on investors in rural Manipur found that proper maintenance of law and order is crucial for better savings and investment climate. He further propounded that absence of bank branches, post offices and insecurity of informal finance greatly hamper the growth of savings and investment among the rural people.

The Financial Literacy and Inclusion: Results of OECD/INFE Survey Across Countries and by Gender, 2013 (2013) conducted by the OECD, the Russia Financial Literacy and Education Trust Fund and the World Bank stated that the way in which a person behaves will have a significant impact on their financial well-being. It is, therefore, important to capture evidence of behaviour within a financial literacy measure. Attitudes and preferences are considered to be an important element of financial literacy. If people have a rather negative attitude towards saving for their future, for example, it is argued that they will be less inclined to undertake such behaviour. Similarly, if they prefer to prioritise short-term wants then they are unlikely to provide themselves with emergency savings or to make long-term financial plans. The study further stated that awareness of a range of products is a vital first step in removing demand-side barriers to financial inclusion. At a minimum, consumers need to know that certain financial products exist, the purpose of each category of product (e.g. to receive income, make payments, protect savings from the impact of inflation or protect households from the consequences of expenditure shocks), which products are regulated or safe, and where and how to access the relevant products (who are the suppliers, what are the access requirements, etc.).

In *The Canadian Money State of Mind Risk Survey 2014*, The Brondesbury Group (2014) found that as risk levels of products increase, ownership levels decline. Looking at ownership, they found that more than nine out of 10 investors (92 per cent) have owned one of the four low-risk products (Canada Savings Bonds, Guaranteed Investment Certificates, money market funds and bonds) they put forth in their study. Six out of 10 investors (59 per cent) have owned a medium-risk product (Investment funds excluding money market products) and investment funds have the highest persistence of ownership of any product at 87 per cent. Low-risk investments are most likely to be described by investors as their “worst performing products”. Canada Savings Bonds are cited as the “worst performing product” by more than one-third of respondents. They also found that people who say they take more risks judge themselves as more successful investors. The same is true for people who claim more investment knowledge. Hence, they concluded that the more knowledge investors think they have, the more risk they are willing to take.

Baker and Ricciardi (2014) remarked that the decision-making process of investors incorporates both a quantitative (objective) and qualitative (subjective) aspect that is based on the specific features of the investment product or financial service. Investor behaviour examines the cognitive factors (mental processes) and affective (emotional) issues that individuals, financial experts, and traders reveal during the financial planning and investment management process. In practice, individuals make judgments and decisions that are based on past events, personal beliefs, and preferences. Making an exhaustive list of books on investment theories, they determined six distinct period which were important for investor behaviour studies – 1841 to1912, 1922 to 1938, 1940 to 1958, 1969 to 1970, 1973 to 1978 and 1995 till date.

Although considerable amount of work has been done in different parts of the country on investor behaviour, no significant work was carried out in this field in India's North East, especially after initiating the financial sector reforms in recent years. There has been no study exploring the behavioural dimensions of individual or household investors in the state of Mizoram. Precisely, the present study of household investor behaviour in Mizoram is an attempt to fill this research gap.

1.5 STATEMENT OF THE PROBLEM

The dynamic nature of the financial sector in India and the world makes it an imperative endeavor to make more and more studies into the mind of the investors in respect to their socio-economic background, investment motives, preferences, habits and experiences. In general, individuals rarely share freely their financial information with others other than close friends and family members which makes the financial world in a cloud of secrecy in terms of understanding the investors' mindset.

The studies of household/individual investor behaviour have been conducted by certain national level agencies and individual researchers in India. However, such studies have been conducted either at a macro level or large regional levels. It becomes necessary to conduct such studies in economically backward regions such as the North East region in India as the region poses different challenges to the marketers of financial products. The studies relating to household investor behaviour in the North East are hard to come by focusing the analyses on the behavioural dimensions of investors. The literature survey in the context of the North East indicates the existence of a serious research gap in the area of investor behaviour. It may be because this region has been lagging behind in terms of development of financial and capital markets and investment culture due to obvious reasons such as geographical remoteness, industrial backwardness and low level of financial literacy and inclusion. Due to get-rich-quick attitude of some people in Mizoram, they suffered heavy loss of hard earned money from fake banks and other such illegal institutions in recent years. For example, there were big scandals like *Kar Khat* (one week) Bank or *Chiahpuam* (immersed and bloated - an expression in a Mizo language for a Ponzi scheme) involving hundreds of crores. It was an illegal mobilization of funds by promising even 50 per cent of interest. There was another case of investment to get-quick money which involved a minister to the tune of about ₹10 crore. The public money was invested in the name of his dear and near ones in a private insurance company. Some government officials also invested huge amounts in such schemes with a view to pocket interest amount. It is observed that after such scandals which occurred mostly around 2007 in Mizoram, people have become skeptical about investment of their hard earned money in financial products offered by players. On the other hand, the global financial crisis (since 2008) has started impacting the investment culture which is in the nascent stage in the small hilly state of Mizoram (Gyanendra Singh and Jyoti Kumar, 2013)

In Mizoram context, studies focusing the extent of investors' awareness on investment avenues, perception of investors, their risk tolerance, their portfolio and diversification of investments, and the problems faced by them as well as the marketers of financial products are scanty. A better understanding of the investors and their behaviour would enable the marketers of the financial products, regulatory bodies like SEBI and RBI, the governments and other concerned bodies in devising suitable financial education programmes, in designing appropriate financial products and in evolving better strategies in improving the investment culture in a remote, economically backward and tribal dominant region of the country. Another aspect that presents a problem for researchers is that as tribals in Mizoram does not have to pay income tax and thereby, does not have to declare their annual income there is a shroud of mystery that veils the Mizo society and its financial habits. Therefore, the present study of household investor behaviour is a pioneering work which enters into the uncharted territory of the financial world in the state of Mizoram.

1.6 OBJECTIVES OF THE STUDY

The main aim of the study is to explore and understand the household investor behaviour in Aizawl city, Mizoram. More specifically, the objectives of the research are as below:

1. To study the socio-economic characteristics of household investors in Aizawl city, Mizoram.
2. To study the degree of awareness, habits and preferences of household investors.
3. To examine the experiences, perceptions and motives of household investors and the factors influencing their investment behaviour.
4. To give suggestions, if any, for the melioration of the investment culture in Mizoram, with special reference to Aizawl city.

1.7 METHODOLOGY

1.7.1 Scope of the study

The study is confined to the behavioural aspects and experiences of known investors residing in Aizawl city area (as defined by the Aizawl Municipal Corporation). The questionnaire is designed to obtain the present behaviour of investors towards investment elements while experiences on financial scams before and after the year 2000 is analysed.

1.7.2 Data Sources

The study is based on both primary and secondary data sources. However, primary data will provide foundation for the study.

The primary data is collected through a structured questionnaire (Annexure 1). Initially, pilot test was conducted on 50 investors to test the questionnaire and, accordingly, relevant changes were made in the instrument. The questionnaire consists of 6 parts: profile of the investor, awareness of the investor, preferences and habit of the investor, perception of the investor, experiences of the investor and, motive and factors influencing investment behaviour. Generally, they were contacted at their home during evening time when many family members were available as per the convenience of the family head. As the questionnaire contains questions seeking information relating to the financial products owned by the household, their experiences, and so on, it took nearly 2 hours time for covering each respondent.

500 household investors out of a total of 46,205 households in Aizawl city area (as per the Directorate of Urban Development and Poverty Alleviation, Govt. of Mizoram records in 2008) were selected as a sample for conducting the investor survey. Initially it was attempted to administer 500 questionnaires, however, the researcher could not get complete information for many questionnaires from 60 respondents. Therefore, a sample of 440 respondents has been considered for the purpose of household investor survey. In anticipation of better response, the questionnaire was designed in Mizo and English languages to suit the convenience of the respondents. The sample size for this purpose was taken at 95 per cent confidence level with a standard error level of 0.02375. For the purpose of identification of the respondents, all the local councils under the jurisdiction of the Aizawl Municipal Corporation (AMC)[9] have been taken. Care was taken to cover the respondents from all the areas under AMC. For selecting the household investors, the purposive sampling method was used with a view

[9] The Mizoram Gazette Vol-XXXVII Issue No.179 dated 15th May, 2008. Under this notification the area of Aizawl city constitutes 69 localities.

to approach those household respondents who have considerable disposable income to think of making investments in financial products. The purposive sampling technique is a type of non-probability sampling that is most effective when one needs to study a certain cultural domain with knowledgeable experts within. Purposive sampling may also be used for obtaining both qualitative and quantitative data. The inherent bias of the method contributes to its efficiency, and the method stays robust even when tested against random probability sampling. Choosing the purposive sample is fundamental to the quality of data gathered; thus, reliability and competence of the respondent must be ensured (Tongco, 2007).

In addition, as mentioned earlier, individuals like to keep their financial information to themselves and find it hard to share it with a complete stranger/researcher. Getting the right information remains an arduous task for every researcher delving into this area. Selecting the right investors could prove tricky as there is the risk of over representation of certain investment products since a portfolio of an investor could not be pre-determined. This study is carried out in Aizawl city because it, being the capital of Mizoram and with a population of over 4 lakh, is a place where many households have more disposable income and, therefore, in a position to channelise a significant portion of their disposable income to investments.

The meaning of household for this study is taken from the definition made by the National Statistical Organisation (India) wherein a group of person normally living together and taking food from a common kitchen constitutes a household. The word 'normally' means that temporary visitors were excluded but temporary 'stay-aways' were included.

The secondary data was collected by consulting research papers from relevant journals available through journals, business magazines and web sites. Various reports were also referred on materials published by the Reserve Bank of India, Securities Exchange Board of India (SEBI), Ministry of Company Affairs, Organisation for Economic Cooperation and Development (OECD), NCAER, etc.

1.7.3 Data Processing

The primary data collected was entered into statistical software packages like SPSS and Microsoft Excel. Simple statistical analysis tools such as bi-variate matrix table, correlation (Karl Pearson), weighted scores and mean scores were also used.

1.8 LIMITATIONS OF THE STUDY

As the study relies principally on primary data, it is a daunting task to acquire financial data from individuals. The questionnaire is designed to obtain relevant data on the investors but depends on the genuineness of the respondents in giving accurate response to the questions presented before them. There is always the risk of getting different answers from the same individual when asked qualitative queries regarding their behaviour and preferences. The primary data acquired from this study is also not free from this risk and therefore, there is the possibility of getting biased views which crop up from the effect of the present situation of external environmental factors or the mood of the respondents.

Annual reports, publications, surveys with varying sample sizes and proposed theories on behaviour of investors constitute the major source of the secondary data. The accuracy of the data depends on the truthfulness of the information presented in these data collected.

1.9 CONCLUSION

The study of investor behaviour is a complex process where theories and findings of researchers often clash and contradicts. There cannot be an absolute definition of financial terms as the financial world keeps on changing and transforms into a more complex environment. The Indian financial system has grown to a comprehensive array of products ranging from savings deposits to the forwards market. Even though investment is quite popular among the general population, there is a large untapped opportunity in investments in the capital market. The regulators have to take renewed steps in making the investment process more and more accessible to the common man while taking care of possible frauds from various financial intermediaries. More effort is needed to be given on prevention of financial frauds and fostering programmes towards dissemination of financial literacy.

It is important to conduct household investor behavioural studies in economically backward regions such as India’s North East. The people of Mizoram have become sceptical about investment of their money in financial products due to the financial frauds which occurred mostly around 2007. Further, there is a need to research into the household investor behaviour in a tribal dominant region of the country which would enable the marketers of financial products, regulatory bodies and the governments in devising appropriate financial education programmes.

CHAPTER 2

SOCIO-ECONOMIC CHARACTERISTICS OF HOUSEHOLD INVESTORS IN AIZAWL CITY

In this chapter it is attempted to analyse the socio-economic characteristics of the household investors in Aizawl city. This chapter and the subsequent two chapters are based on the primary information collected from 440 household investors in Aizawl city (refer the previous chapter for details of methodology used). This chapter mainly deals with the socio-economic characteristics of the household investors in Aizawl city.

2.1 THE SOCIO-ECONOMIC CHARACTERISTICS

The socio-economic factors that act upon individuals and households greatly impact the behaviour of an investor. Horvath and Zuckerman (1993) concluded that a person's biological, socioeconomic and demographical profile in connection with his/her psychological form affects the risk tolerance level and, hence, the investment preference of an individual.

In this study, the socio-economic factors that could bring out best the profile of the respondents in line with the need to study the behaviour of the respondents is used. This chapter attempts to find out the characteristics of the respondents by their age, gender, marital status, religion, education, income, maturity, occupation, place of residence within the city, experience on income tax, level of control over investment and physical item in possession.

2.2 AGE

Age is one of the most important factors influencing the investment behaviour of investors. The age of a person normally determines the type of investment preferred. This is mainly due to the close correlation of age and risk preference (Mather et al, 2012). The age variations of the respondents are showed in Table 2.1. The classification of household respondents based on the age group presented reveals that 13.18 per cent of the respondents were 30 years and below, 37.27 per cent were from the age group of 31-40 years, 32.05 per cent were from the age group of 41-50 years, 14.55 per cent from the age group of 51-60 years and 2.95 per cent of the respondents were 61 years and above. This analysis shows that a majority of the investors are from the age group of 31-40 years while it keeps decreasing from that age group to a mere 0.68 per cent from the age group of 71 years and above.

Chandra Mouli (2007) in his study on investment culture in North Coastal Andhra found that 27.80 per cent of the respondents are from the age group of 51-60 years and constitute the highest age cluster while investor from the age group of 31-40 years constitute 16.70 per cent of the respondents. Indian Household Investor Survey (2004) reveals that 27.74 per cent and 27.96 per cent of the respondents which make up the majority of the respondents are from the age group of 31-40 years and 41-50 years, respectively. In another study on savings mobilisation in household sector in Kerela, Muraleedharan (2003) found that the age group of 46-55 years represent the majority of the investors which was 39.17 per cent of the respondents. Kabra et al (2010) found that 51.10 per cent of their respondents were from the age group of 22-28 years, 39.50 per cent from 28-40 years and 9.4 per cent from 40-60 years.

Table 2.1

Age-wise classification of respondents

Age (in years)	No. of respondents	Per cent
Below 30	58	13.18
31-40	164	37.27
41- 50	141	32.05
51 - 60	64	14.55
61 - 70	10	2.27
71 and above	3	0.68
Total	440	100

Source : Primary data n=440 respondents

2.3 GENDER

Table 2.2 shows the gender of the respondents. Two third (66.38 per cent) of the respondents were males while females occupy one third (33.18 per cent) of the respondents. The Mizo society is a patriarchal one and, thus, the property is inherited by men in the family. The women of Mizoram are rather independent and hold a very important place in their family. Christianity and education opened new opportunities for Mizo women in the society but despite the increasing number of educated women, only a few of them holds top/important positions under the government and in politics.

Table 2.2

Gender wise classification of respondents

Gender	No. of respondents	Per cent
Male	294	66.82
Female	146	33.18
Total	440	100

Source : Primary data n=440 respondents

In two familiar studies conducted by Muraleedharan (2003) and Chandra Mouli (2007) 69 per cent of the respondents were found to be males while female respondents constitute 31 per cent of the total respondents. Dorn and Huberman (2005) in their study on investors in Germany found that 88 per cent of the respondents were males and 12 per cent of the respondents were females. As per the data from Census 2011, there are 148,019 females and 143,803 males which could be converted to a sex ratio of 1029:1000.

In Table 2.3, males and females from the age group of 31-40 years comprise the biggest portion (45.92 per cent for male respondents and 59.59 per cent for female respondents) among the age groups categorised for this study. It is quite interesting to know that even after the females occupy only 33 per cent of the total respondents, 23.29 per cent of female household heads were below the age of 30 years while there are only 8.16 per cent of male household heads were under the age of 30 years. From the high incidence of household head below the age of 40 years (50.35 per cent of respondents), we can assume that either the respondents immediately form nuclear families[1] after their marriage or many of the respondents are living without/away from their parents.

Table 2.3

Age-wise classification of respondents based on gender

Age (in years)	Male	Female	Total
Below 30	24 (8.16)	34 (23.29)	58 (13.18)
31-40	111 (37.76)	53 (36.30)	164 (37.27)
41- 50	106 (36.05)	35 (23.97)	141 (32.05)
51 - 60	45 (15.31)	19 (13.01)	64 (14.55)
61 - 70	5 (1.70)	5 (3.42)	10 (2.27)
71 and above	3 (1.02)		3 (0.68)
Total	294	146	440

Source : Primary data n=440 respondents

Note : Figures in parentheses are in percentages

2.4 MARITAL STATUS

The marital status of the respondents is analysed and the results are presented in Table 2.4. The table shows that 70.91 per cent of the respondents were married, 20.23 per cent were unmarried and 8.87 per cent of the respondents were either widowed or divorced. The prejudice of the head of family being a married, widowed or divorced person in an

[1] Normally, nuclear families comprise only a married couple with their children.

ordinary Indian family is contrasted by the relatively high concentration of unmarried head of households under this study.

Among the Mizos, although there is freedom of choice of life partner, the society as a whole desires to maintain marriage within their own defined social group. Regarding marriage, monogamy is practised by all (except by a Christian sect called *Chana Pawl*). Polygamy was commonly practiced by the village chief in the past, but now it is virtually unknown among the residents of Mizoram. A Mizo belong to a patriarchal society and if a father dies, his sons will share the property and in most cases the youngest son is to inherit the property. Nowadays, if a land property is more than one in number it is a general practice to equally distribute to all the sons and daughters of a family.

In a Mizo family, a father is the head. But now, the society has reached such a stage that there are many Mizo women who are place in a better position and status in the society than their husband. Such women are much capable of managing and handling family problems better than their husband.

Christiansen, Joensen and Rangvid (2012) in their study on the effect of marriage and divorce on investment found that marriage causes men to reduce the fraction of wealth they hold in risky assets (indicating that marriage makes men invest less risky), whereas they increase risk after divorce. They further concluded that, while being married, women tend to learn more about investment and, thereby, increase their risk tolerance. Love (2010) also found that married investors tend to have more risk tolerance than unmarried individuals.

Table 2.4

Classification on the basis of marital status of respondents

Marital Status	No. of respondents	Per cent
Married	312	70.91
Unmarried	89	20.23
Widowed	23	5.23
Divorced	16	3.64
Total	440	100

Source : Primary data n=440 respondents

Table 2.5 shows the distribution of male and female respondents based on their marital status. The stark difference in the composition of male and female respondents based on their marital status is quite intriguing. The married male respondents (74.36 per cent) far outnumbered the married female respondents (25.64 per cent). On the other hand, the widowed female respondents (68.18 per cent) far outnumbered the widowed male respondents (31.82 per cent). 42 female respondents which comprise 28.57 per cent were unmarried while 47 male respondents which comprise 16.04 per cent were unmarried. The head of household among widowed and divorced are much higher among the female respondents which could be deduced from the data that 17 per cent of female respondents were either widowed or divorced while and only 5 per cent of the male respondents were widowed or divorced. From various literatures we can easily deduce that younger women do not normally occupy the head position in their respective household. Upon further analysis of the data, 66.67 per cent of the widowed respondents are above the age of 40 years. This can be used to explain the relatively high incidence of widowed/divorced female respondent as the older they are, the higher will be their chance of automatically being the head of their household.

Table 2.5

Classification on the basis of gender and marital status of respondents

Marital Status	Male	Female	Total
Married	232 (79.18)	80 (54.42)	312
Unmarried	47 (16.04)	42 (28.57)	89
Widowed	7 (2.39)	15 (10.20)	22
Divorced	7 (2.39)	10 (6.80)	17
Total	293	147	440

Source : Primary data n=440 respondents

2.5 RELIGION

It is observed from Table 2.6 that 97.27 per cent of the respondents were Christians, 2.27 per cent were Hindus and 0.45 per cent were Muslims. According to the Statistical Abstract of Mizoram : 2011, 86.97 per cent of the population in Mizoram holds Christianity as their religion, 7.93 were Buddhists, 3.55 per cent were Hindus, 1.14 per cent were Muslims and other religions constitute 1.54 per cent.

Table 2.6

Religion-wise classification of respondents

Religion	No. of respondents	Per cent
Hindu	10	2.27
Muslim	2	0.45
Christian	428	97.27
Others	-	-
Total	440	100

Source : Primary data n=440 respondents

In a study conducted by Chandra Mouli (2007) the composition of respondents based on their religion was 80.40 per cent - Hindus, 13.9 per cent - Muslims and 5.7 per cent – Christians. Renneboog and Spaenjerst (2009) on their study conducted in Netherlands found that religious household heads were more likely to put aside money for savings and investments than non-religious individuals, and that especially Catholic households were less likely to invest in risky assets such as stocks. Hong et al (2001) found that social households – those who interact with their neighbours, or who attend church were more likely to invest in the stock market than non-social households. They indirectly propounded that social interaction through religion helps in increasing the risk tolerance of individuals.

2.6 EDUCATION

Table 2.7

Classification of respondents based on their education level

Education level	No. of respondents	Per cent
Matriculate and below	63	14.32
Higher secondary	85	19.32
Graduate	167	37.95
Post graduate	125	28.41
Total	440	100

Source : Primary data n=440 respondents

Education plays a very important role in influencing the investment behaviour of an individual. In a study conducted by Burney and Khan (1992), various categories of education are found to have a negative influence on household savings, indicating that more educated household have higher consumption expenditure, and that they are likely to save less portion of their income. They further propounded that since the decision of how much to save is generally taken by the head of the households, the level of education of the household head appears to be the relevant variable affecting the investment behaviour of households. Muraleedharan (2003) in his research observed that among the respondents in his study, 18.89 per cent were matriculates and below, 9.72 per cent were undergraduates, 24.44 per cent were graduates, 21.11 per cent were postgraduates and 13.06 per cent were professional degree holders. Indian Household Investors Survey (2004) found that 88.71 per cent of the respondents were graduates while 9.41 per cent were undergraduates. In a study on individual Indian investors, Sultana (2010) found that even though the education levels of 90 per cent of the investors were graduate and above, most of the investors were financially illiterate. Tunah and Tatoglu (2010) concluded that as education level increases, the income and probability of investing in high capital requiring instruments also increase. The SEBI NCAER Investor Survey (2011) found that education plays a significant role in influencing risk preferences.

For the determination of the education level, five categories – matriculate and below, higher secondary, graduate, post graduate and illiterate were used in the questionnaire. Table 2.7 shows that respondents having graduate degree occupy the biggest portion (37.95 per cent) while only 14.32 per cent of the respondents have education level of matriculate and below. Nearly one-third (33.64 per cent) of the respondents had education up to higher secondary level while the remaining two-third of the respondents (66.36 per cent) either have a graduate or a postgraduate degree. It is no surprise that the composition of graduates and postgraduates is quite high as this study is being made using purposive sampling method – on households who possess reasonable financial resources for investments, one way or the other, and also because the high literacy rate in Mizoram, especially in Aizawl. The Indian Census 2011 shows that Mizoram has a literacy rate of 95.58 per cent which is the third highest in the country while that of Aizawl city is 98.50 per cent. Mizoram also has the third lowest literacy rate gender gap (4.3 per cent) in India.

2.7 MAIN STREAM OF STUDY

The distribution of the respondents by their main stream of study is shown in Table 2.8. It may be noted that only those respondents with an education level of higher secondary and above i.e. 377 respondents (out of the total 440) were covered for this purpose. Table 2.8 indicated that 71.88 per cent of the respondents were from the Arts stream, 9.28 per cent from the Science stream and only 6.37 per cent from Commerce stream. 10.88 per cent of the respondents were from professional courses other than management such as doctors, nurses, engineers and architects. A meagre 1.06 per cent of the respondents were from management course. The huge gap between Arts stream and the other streams of study may be due to the huge gap between educational institutions in Aizawl city offering Arts stream subjects and other institutions offering subjects other than Arts (Annexure 2). Mizoram Statistical Abstract, 2011 showed that there were 98 higher secondary schools (18,437 students) and 22 colleges offering general stream of studies (8,237 students) and 6 colleges offering other subjects (1,119 students) in the year 2010-11. Apart from these institutions, Mizoram University Tanhril Campus had 1,430 students in the years 2010-11, opting for different types of studies such as master degrees in arts science and commerce stream and other degrees in engineering, architecture, information technology, etc.

Table 2.8

Classification of respondents based on main stream of study

Stream of study	No. of respondents*	Per cent
Commerce	24	6.37
Science	35	9.28
Arts	271	71.88
Management	4	1.06
Other professional courses	41	10.88
Others**	2	0.53
Total	377	100

Source : Primary data

*Respondents with education level of higher secondary and above

**Others are from theological/religious studies stream

Table 2.9 shows the composition of the respondents' stream of study based on their age. Among the different stream of studies, the relative age compositions of the respondents were 15.38 per cent for respondents of 30 years and below, 41.91 per cent from 31-40 years, 28.12 years from 41-50, 13.79 per cent from 51-60 years and 0.90 for 61 years and above. The age group of 41-10 years have the highest concentration of respondents from commerce (62.50 per cent), Science (60 per cent) and Arts (41.33 per cent) stream of study. Respondents from the age group of 31-40 years have the highest composition (41.91 per cent) among household heads with education degree from higher secondary level and above.

Table 2.9

Classification of respondents based on age group and main stream of study

Age of household heads (in years)	Total respondents*[#]	Stream of study					
		Commerce	Science	Arts	Other professional courses	Management	Others**
		Percentage of household heads – column wise					
30 and below	58 (15.38)		17.14	16.61	12.20	50	
31-40	158 (41.91)	62.50	60	41.33	24.39		
41- 50	106 (28.12)	33.33	20	27.31	34.15	25	100
51 - 60	52 (13.79)	4.17	2.86	13.65	29.27	25	
61 - 70	1 (0.27)			0.37			
71 and above	2 (0.53)			0.74			
Column Total	100	100	100	100	100	100	100
No. of respondents	377	24	35	271	41	4	2

Source : Primary data

*Respondents with education level of higher secondary and above
**Others are from theological/religious studies stream
Figures in parentheses are percentage

It is quite interesting to see that all the 58 respondents from the age group of 30 years and below have an education degree from higher secondary level and above. This can imply that the average education level of the younger generations were relatively higher than that of the older generations.

2.8 HOUSEHOLD INCOME

Table 2.10

Classification of respondents based on household income

Monthly Income (₹)	No. of respondents	Per cent
Up to 10,000	15	3.41
10,001 – 15,000	23	5.23
15,001 – 20,000	39	8.86
20,001 – 25,000	60	13.64
25,001 – 30,000	66	15.00
30,001 – 35,000	37	8.41
35,001 – 40,000	51	11.59
40,001 – 45,000	31	7.05
45,001 – 50,000	32	7.27
50,001 and above	86	19.55
Total	440	100

Source : Primary data n=440 respondents

Income and savings are the basic ingredients for investment. In household finance, income should not be mistaken with wealth even though they are closely correlated (Christiansen and Rangvid 2008). In this study, the impact of income is analysed rather than wealth as people tend to hide their real wealth for reasons pertaining to tax and avoiding possible implied comparison of their wealth with their known source of income. The investors in this study are classified into ten (10) income groups as shown in Table 2.9. It is observed from the table that respondents having a monthly income of ₹50,001 and above constitute 19.55 per cent and, thereby, have the highest concentration of respondents among the income groups. The composition of respondents gradually increases from the lowest income group of ₹10,000 and below (3.41 per cent) to the income group of ₹25,000 - 30,000 per month (15 per cent). Kumar and Vikkraman (2011) in their study found that 44.44 per cent of the respondents have an annual income of 4.01-6 lakh (highest among the income groups) while only 3.78 per cent respondents have an annual income of 2 lakh and below 14. Gupta, et al (2004) found that the largest segment of the respondents (26.86 per cent) were from the income group of up to ₹10,000 while respondents from the income group of ₹20,001 - 25,000 have the lowest composition of respondents (12.34 per cent). SEBI NCAER (2011) found that "household income is a relatively minor determinant of participation in financial market. Instead, factors such as education, information, as well as quality information influence the magnitude and extent of participation to a greater extent."

Table 2.11

Classification of respondents based on income and age group

Age (in years)	Monthly income (₹)									
	Up to 10,000	10,001 – 15,000	15,001 – 20,000	20,001 – 25,000	25,001 – 30,000	30,001 – 35,000	35,001 – 40,000	40,001 – 45,000	45,001 – 50,000	50,001 and above
Up to 30	7 (46.67)		16 (41.03)	2 (3.33)	18 (27.27)	3 (8.11)	2 (3.92)	7 (22.58)		3 (3.49)
31 - 40	6 (40)	15 (65.22)	12 (30.77)	28 (46.67)	13 (19.70)	2 (5.41)	20 (39.22)	8 (25.81)	12 (37.50)	48 (55.81)
41 - 50	2 (13.33)	6(26.09)	9 (23.08)	22 (36.67)	30 (45.45)	25 (67.57)	13 (25.49)	14 (45.16)	8 (25)	12 (13.95)
51 - 60			2 (5.13)	7 (11.67)	1 (1.52)	7 (18.92)	16 (31.37)		12 (37.50)	19 (22.09)
61 - 70				1 (1.67)	3 (4.55)			2 (6.45)		4 (4.65)
Above 70		2(8.70)			1 (1.52)					
Column Total	15 (100)	23 (100)	39 (100)	60 (100)	66 (100)	37 (100)	51 (100)	31 (100)	32 (100)	86 (100)

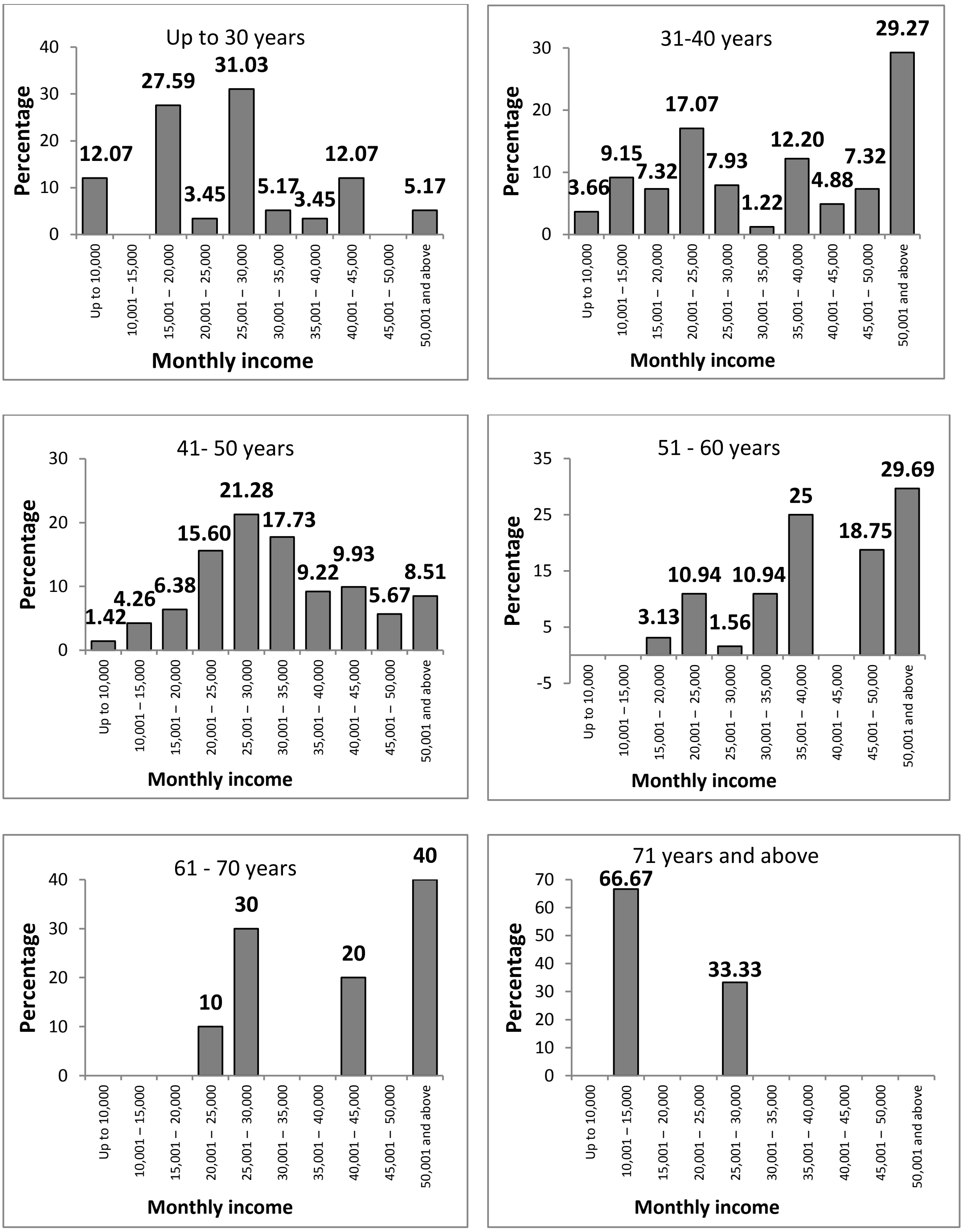
Source : Primary data n = 440 respondents

Figures in parenthesis are in percentages

Chart 2.1

Classification of respondents based on income and age group

(in percentages)



Source : Primara data

Table 2.11 shows the classification of respondents based on income and age groups. It can be observed that the income group of 31-40 years are the wealthiest among the respondents with 48 of them having a monthly income of ₹51,000 and above. We can see that 137 respondents (31.14 per cent of total respondents) have monthly income of less than ₹30,001 while 237 respondents (68.86 per cent of total respondents) had a monthly income above ₹30,000. As a matter of fact, from Chart 2.1 we find that the respondents from the income group of 31-40 years occupy the biggest composition in the income groups of ₹10,000-15,000, ₹20,001-25,000, ₹25,001-30,000, ₹35,001-40,000, ₹45,001-50,000 and ₹51,000 and above. Among the respondents, household income of the higher income groups does not correspondingly increase with age as it is illustrated that age group of 61-70 years and 71 years and above representation is less significant in the higher income groups. The elliptical change in monthly income among the age groups somehow coherently match up with the study on age and income conducted by Employee Benefit Research Institute (EBRI, 2011) which showed that income tends to decrease with age after the age of 55.

2.9 NUMBER OF ADULTS

In this study, a person having 18 years of age or above is considered an adult[2]. Table 2.12 reveals that only 0.68 per cent of the respondents have one adult in their household, 23.86 per cent have two adults, 21.36 per cent have three adults, 15.91 per cent have four adults and 34.77 per cent of the respondents have more than four adults in their household.

[2] As defined in Indian Majority Act 1875, Indian Factories Act 1948 and The Child Labour (Prohibition and Regulation) Act 1986.

Table 2.12

Composition of adults in respondents' household

Adults	No. of respondents	Per cent
One	3	0.68
Two	105	23.86
Three	94	21.36
Four	70	15.91
Above four	153	34.77
Total	440	100

Source : Primary data

2.11 NUMBER OF CHILDREN

The composition of children as observed in Table 2.11 shows that 15.45 per cent have one child, 26.59 per cent have two children, 19.09 per cent have three children, 5.45 per cent have four children, and 2.27 per cent have more than four children. Furthermore, it was found that 31.14 per cent of the respondents have no children in their household.

Table 2.13

Composition of children in respondents' household

Children	No. of respondents	Per cent
One	68	15.45
Two	117	26.59
Three	84	19.09
Four	24	5.45
Above four	10	2.27
None	137	31.14
Total	440	100

Source : Primary data n=440 respondents

2.12 NUMBER OF EARNING ADULTS

Table 2.14 shows the composition of earning adults among the sample households and Chart 2.4 shows the correlation of household income with the number of earning adults in the respondents' household. The table shows that 22.05 per cent of the respondents belong to single income households, 36.14 per cent belong to double income households, and 19.09 per cent belong to triple income households. Nearly 23 per cent of the respondents have four or more than four earning adults in their household.

Table 2.14

Composition based on number of earning adults in respondent's household

Earning adults	No. of respondents	Per cent
One	97	22.05
Two	159	36.14
Three	84	19.09
Four	59	13.41
Above four	41	9.32
Total	440	100

Source : Primary data n=440 respondents

In general belief, the more the number of persons earning income in a household the more the household income will be. In Table 2.15 we can see that the majority of earning adults from their respective income level were monthly income of ₹25,001-30,000 for one earning adult and monthly income of ₹50,001 and above for more than one earning adults. The households having two earning adults occupy the biggest portion (36.14 per cent) among the households while the income group of 50,001 and above occupies the biggest portion (19.55 per cent) among the sample households.

Table 2.15

Classification of respondents based on income and number of earning adults

Monthly Income (₹)	All classes of sample household	No. of earning adults: 1 adult	2 adults	3 adults	4 adults	More than 4 adults
		Per cent of household – column wise				
Up to 10,000	3.41	7.22	3.77	2.38	-	-
10,001 – 15,000	5.23	6.19	9.43	1.19	1.7	-
15,001 – 20,000	8.86	9.28	11.32	8.33	8.48	-
20,001 – 25,000	13.64	22.68	13.21	1.19	23.73	4.88
25,001 – 30,000	15.00	27.84	14.47	9.52	5.09	12.2
30,001 – 35,000	8.41	4.12	11.95	8.33	3.39	12.2
35,001 – 40,000	11.59	11.34	5.66	21.44	18.62	4.88
40,001 – 45,000	7.05	3.09	8.18	11.91	3.39	7.31
45,001 – 50,000	7.27	3.09	5.66	9.52	10.17	14.63
50,001 and above	19.55	5.15	16.35	26.19	25.43	43.9
Column total	100	100	100	100	100	100
No. of respondents	440	97	159	84	59	41

Source : Primary data

2.13 OCCUPATION

Generally, those engaged in lower income occupations have less educational qualifications whereas those with higher education are engaged in higher income occupations. Unny (2002) in his study found that among the rural households in Kerela, the salaried groups have more education compared to other groups with 22.45 per cent having primary education, 59.18 per cent having secondary education and 18.17 per cent having higher education. Fessler and Schurz (2008) in their study found that job security and occupation have a positive effect on participation in the financial market and people with blue collar jobs have significantly lower levels of financial market participation. In another survey conducted in Pakistan, Ali, et al (2011) found that business education and financial literacy have a positive relation with stockholding.

Table 2.16

Classification of respondents based on occupation

Occupation	No. of respondents	Per cent
Vocational employment	29	6.59
Private job	97	22.05
Government job	209	47.50
Business	70	15.91
Retired	13	2.95
Agriculture	6	1.36
Unemployed	16	3.68
Total	**440**	**100**

Source : Primary data

2.14 PLACE OF RESIDENCE IN AIZAWL CITY

As per the Mizoram Municipalities Act, 2007[3] there are 69 localities within Aizawl Municipal Council area. Table 2.17 shows the classification of respondents based on their place of residence in the city. The table reveals that respondents from Aizawl West and Aizawl North constitute 26.59 per cent at 22.27 per cent respectively.

[3] Vide the *Mizoram Gazette Extra Ordinary Vol-XXXVII Issue No.179, 21.5.2008*

Table 2.17

Classification of respondents based on their residential locality

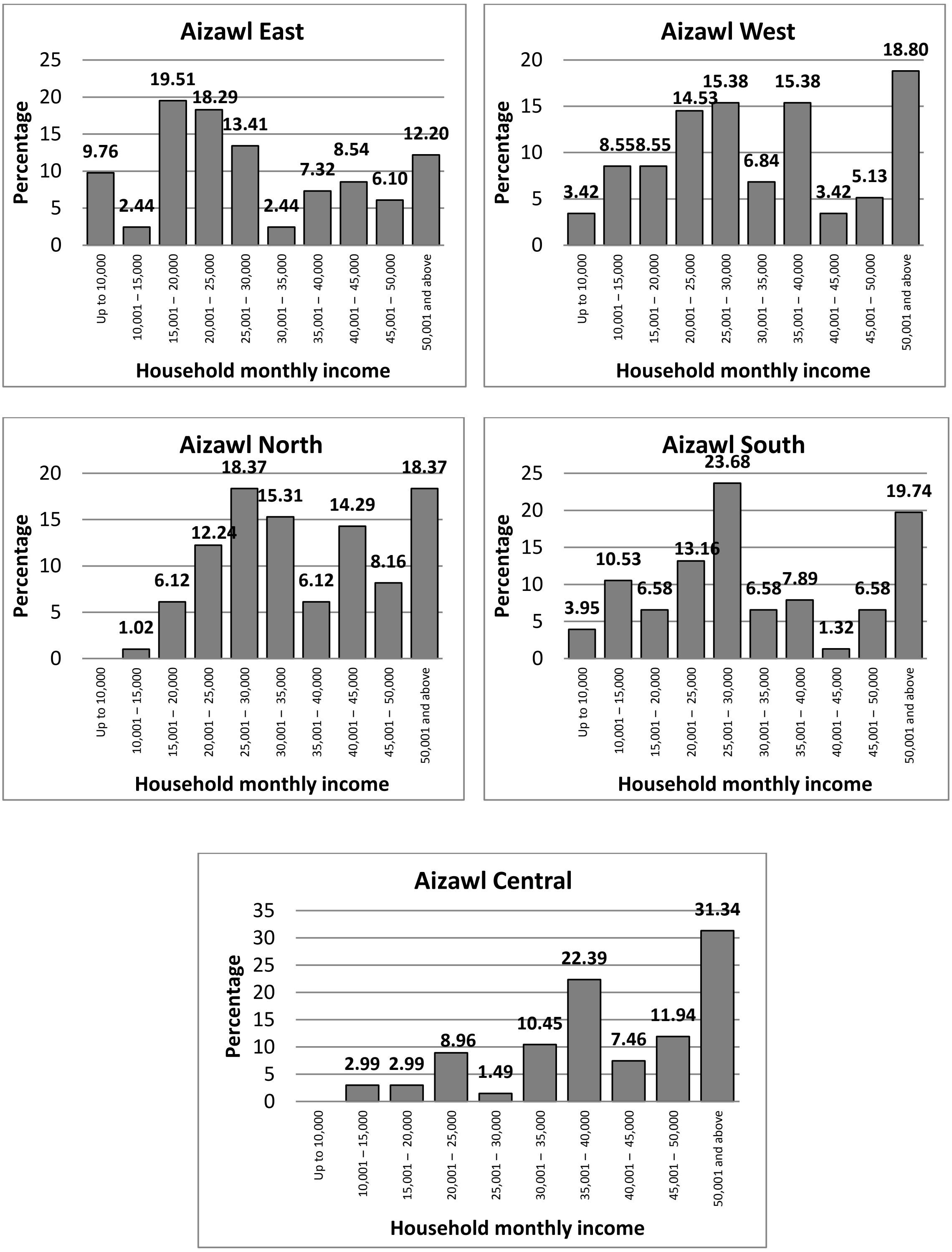
Residence	No. of respondents	Per cent
Aizawl East	82	18.64
Aizawl West	117	26.59
Aizawl North	98	22.27
Aizawl South	76	17.27
Aizawl Central	67	15.23
Total	440	100

Source : Primary data n=440 respondents

Further, the data on the respondents' residence compared to income group is shown in Chart 2.2. The bifurcation of the area is done on a self judgement basis as the area classification of Aizawl city based on State Assembly constituencies covered regions beyond the area used for this study i.e. area specified by the Aizawl Municipal Council. It shows that in Aizawl East, about half of the respondents have a monthly income between ₹15,001 and ₹30,000. In Aizawl West, 19 per cent of the respondents have a monthly income of 50,001 and above while 52 per cent of the respondents have a monthly income between ₹20,001 and ₹40,000. In Aizawl North 45 per cent of the respondents have a monthly income between ₹20,001 and ₹35,000. The chart representing the respondents living in Aizawl Central is quite different from the other charts. 72 per cent of the respondents living in Aizawl Central have a monthly income of ₹30,000 and above and 31 per cent of the respondents have a monthly income of above ₹50,001. Thus, the respondents from Aizawl Central have relatively higher monthly income compared to other respondents from other areas.

Chart 2.2

Classification of respondents based on residence and income



Source: Primary data

2.14 POSSESSION OF PAN CARD

Permanent Account Number (PAN) is a unique alphanumeric combination issued to all juristic entities identifiable under section 139A of the Indian Income Tax Act 1961. It is issued by the Indian Income Tax Department under the supervision of the Central Board for Direct Taxes (CBDT) and is almost equivalent to a national identification number. It also serves as an important identity proof. This number is almost mandatory for financial transactions such as opening a bank account, receiving taxable salary/ professional fees and sale or purchase of assets above specified limits.

The primary purpose of PAN is to bring a universal identification key factor for all financial transactions and indirectly prevent tax evasion by keeping a track of monetary transactions of high net worth individuals. It is unique, nationalised, and permanent. It is unaffected by a change of address, even between states. Against the backdrop, an attempt is made to know whether the respondents were in possession of PAN card. Table 2.18 shows that 57.27 per cent of the respondents have possessed PAN while 28.41 per cent have not possessed PAN card. About nine per cent of the respondents could not respond to the question. About five per cent of the respondents expressed that they are currently plying for the card. As more and more individuals staying in Mizoram are investing their money on mutual fund, equity shares, fixed deposits, etc the mandate of having PAN card for these investments has led to the rising number of such individuals having PAN card.

Table 2.18

Classification of respondents based on possession of a PAN card

Response	No. of respondents	Per cent
Yes	252	57.27
No	125	28.41
Currently applying	23	5.23
No response	40	9.09
Total	440	100

Source : Primary data n=440 respondents

2.15 PAYMENT OF INCOME TAX

Table 2.19

Classification of respondents based on payment of income tax

Have you ever paid income tax?	No. of respondents	Per cent
Yes	100	22.73
No	296	67.27
No response	44	10.00
Total	440	100

Source : Primary data n=440 respondents

The concept of 'Income Tax' is quite alien among the native people of Mizoram as any member of Scheduled Tribe living in Mizoram is fully exempted from income tax. Since income tax is not paid by the tribals living in Mizoram, there are no Income Tax offices in Mizoram; the nearest one being in Silchar, Assam. However, as shown in Table 2.19, 22.73 per cent of the respondents surprisingly had previously paid income tax even though the non-tribals among the respondents constitute 3 per cent of the respondents. This may be attributed to the fact that many Mizos have worked outside Mizoram wherein they are liable to pay income tax in the States that fall beyond the provisions of Section 10[4] of Income Tax Act 1961.

2.16 ITEMS IN POSSESSION

The ownership of capital and durable item owned by the respondents are shown in Table 2.20. It can be seen that among the households taken for the study, 87.95 per cent have LPG connection, 94.09 per cent have at least a television set, 91.36 per cent have a refrigerator, 87.73 per cent have washing machine, 84.09 per cent have computer, 40.23 per cent have a four wheeler vehicle, 68.86 per cent have a two wheeler vehicle, 68.64 per cent have owned a piece of land in their name, 38.41 per cent have their own house. It is quite interesting that the ownership of an LPG, an item which is

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[4] Section 10 of the Income Tax Act 1961 refers to the various incomes that are exempted from tax. The reason for the tribals living in Mizoram not paying income tax is due to the clause mentioned in Section 10 (26) of the Income Tax Act, 1961.

This section states that- *In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—*

10 (26) - in the case of a member of a Scheduled Tribe as defined in clause (25) of article 366 of the Constitution, residing in any area specified in Part I or Part II of the Table appended to paragraph 20 of the Sixth Schedule to the Constitution or in the [States of Arunachal Pradesh, Manipur, ***Mizoram,*** *Nagaland and Tripura] or in the areas covered by notification No. TAD/R/35/50/109, dated the 23rd February, 1951, issued by the Governor of Assam under the proviso to sub-paragraph (3) of the said paragraph 20 [as it stood immediately before the commencement of the North-Eastern Areas (Reorganisation) Act, 1971 (81 of 1971)] [or in the Ladakh region of the State of Jammu and Kashmir], any income which accrues or arises to him,— (a) from any source in the areas [or States aforesaid], or (b) by way of dividend or interest on securities;*

considered a necessity in a city like Aizawl, is lower than the ownership of television. Also, it is seen that nearly half of the households having land property own a house.

Table 2.20

Classification of respondents based on items in their possession

Items in possession	No. of respondents	Per cent
LPG	387	87.95
Television	414	94.09
Refrigerator	402	91.36
Washing Machine	386	87.73
Computer	370	84.09
Four wheeler	177	40.23
Two wheeler	303	68.86
Land	302	68.64
House	169	38.41

Source : Primary data

In a study made by Laldinliana (2010) on rural and urban household consumers, it was found that the three most durable goods owned by households was mobile phone (81.87 per cent) followed by television (82.19 per cent) and LPG (81.87 per cent). Taking the rural respondents aside, LPG (98.43 per cent) was the most common durable item found among the urban households followed by television (96.25 per cent) and fridge (95.63 per cent). According to *The Marketing Whitebook (2005)* published by Business World magazine, 42 per cent of households owned a radio, 20.4 per cent owned a television, 14.1 per cent owned a telephone, 6.2 per cent owned a motorised two-wheeler, 3.4 per cent owned a car, 3.1 per cent owned a bicycle and 50.9 per cent owned unspecified durable goods. The *Census of India 2011 Houselisting Data HH-12* shows that 33.52 per cent of households in Mizoram own a radio, 55.06 per cent own a television set, 15.22 per cent own a computer/laptop, 63.89 per cent own a mobile phone, 4.26 per cent own a bicycle, 13.83 per cent own a motorised two wheeler, 7.27

per cent own car/van and 7.71 per cent of the households in Mizoram own a computer, a television, a mobile phone and a motorised vehicle (either a two wheeler or four wheeler or both).

2.17 CONCLUSION

In the area of investor behaviour studies, the analysis of the investors' socio-economic characteristics is a very important part of the study. From various literatures it is found that factors like age, income, education, gender, marital status, etc have a direct bearing on the behaviour of the investors. Factors like age, gender and income are considered to be the most studied behavioural element to affect the investment attitudes and habits of an individual. In this study, it is seen that the age of the investors corresponds well with the age-income nexus which states that income increases with age. However, it is interesting to see that the household income of the respondents were bit higher than expected, maybe because data was collected from only known investors who have dispensable funds for investment. Since no previous research on the socioeconomic characteristics in Aizawl city or that of Mizoram state has not been done, the progress in terms of female participation in investments, growth of income, trends in age of investors, etc. is yet to be revealed.

CHAPTER 3

AWARENESS, HABITS AND PREFERENCES OF HOUSEHOLD INVESTORS

This chapter has the objective of studying awareness levels, investment habits and preferences of household investors in Aizawl city.

3.1 INTRODUCTION

The preferences and habits of investors are influenced by various factors such as a person’s biological, socioeconomic and demographical profile in connection with his/her psychological form (Horvath and Zuckerman, 1993). For some individuals, the reasons for saving is attributed to social considerations, retirement planning and tax benefits (Gavini and Athma, 1999). Mouli (2007) found that education, income and occupation directly influence the level of awareness and choice of investment among investors. He further observed that the risk preference level of investors was quite low and the majority of them chose bank deposits, life insurance and small saving schemes as their most preferred investment avenue. The culmination of the awareness, perception, habits and experiences of an investor ultimately control the investment behaviour of an individual. Among the factors affecting investor behaviour, wealth (Barro and Sala-i-Martin, 1995; Modigliani and Brumberg, 1954), gender (Jianakoplos and Bernasek, 1998), expectation and habits (Caroll et al, 2000), age (Ameriks and Zeldes, 2004), experiences (Canada Investment Administrators Investor Study, 2007), and family and environment (Anderson et al, 2001) are considered the most prominent ones and, hence, this chapter looks into these factors.

As per the Indian Household Investor Survey, 2004 (2005) sponsored by the Ministry of Company Affairs, the preference of equity ownership started in the beginning of the 1990s, after the introduction of economic liberalisation, and has achieved a much higher degree of penetration compared to other capital market instruments. But, in view of the whole population of India, shareholders (which constitute a major portion of household investors) consist of only 4-5 per cent of the whole population. The first investment made by investors tends to be in the form of life insurance and bank fixed deposits.

In a recent study conducted by Christiansen et al (2012) on the effect of marriage and divorce on investment, found that marriage causes men to reduce the fraction of wealth they hold in risky assets (indicating that marriage makes men invest less risky), whereas they increase risk after divorce. The study found that, while being married, women tend to learn more about investment and, thereby, increase their risk tolerance.

The Survey of Indian Investor, 2000 (2000) done by National Council of Advanced Economic Research (NCAER) and SEBI reported that liquidity and safety of instruments were the primary factors that affect the choice of investment among Indian investors. There was a positive correlation between income levels and choice of investment in market related securities.

Risk aversion and financial literacy are always one of the most important factors in making any investment decision. Although different literature available on risk define it variedly but, generally, the word risk refers to situations in which a decision is made whose consequences depend on the outcomes of future events having known probabilities (Lopes,1987). There is evidence that women are more risk averse than men in general and this eventually results in women investing in less risky assets in their investment plans **(**Agnew, 2003). Even though personality factors may change over an extended period of time, the process is slow and tends to be stable from one situation to another. Therefore, factors such as risk aversion, age and financial literacy are expected to influence the decision making behaviour of an individual (Dunham, 1984). Risk tolerant investors behave as though they can control risk. This suggests that risk tolerance serves as a substitute for an 'illusion of control' and thus overconfidence sets in (Madhusoodanan, 1997; Odean, 1998; Benartzi and Thaler, 2001; Gervais and Odean, 2001 ; and Daniel and Huberman, 2003).

Statman (1988) stated that people trade because they think they have information and, thereby, trade for both cognitive and emotional reasons. They, in reality make nothing but clamour and trade only because trading gives them satisfaction. Trading brings pride when decisions made are profitable, and brings regrets when they are not. Investors try to avoid the pain of regret by avoiding recognition of losses, pointing to investment advisors as scapegoats and avoid stocks of companies with low reputations. Warren *et al.* (1990) and Rajarajan (2000) predict individual investment choices (e.g., bonds, stocks, real estate) based on lifestyle and demographic attributes. These investors see rewards as contingent upon their own behaviour (Rajarajan, 2002).

The NCAER (1961) in their *Urban Saving Survey* conducted in India noticed that irrespective of occupation followed, educational level and age attained, households thought that saving for the future was desirable. It was found that desire to make provision for emergencies was a very important motive for saving for old age. The study conducted by the SEBI and NCEAR (2000) found that safety and liquidity were the primary considerations which determined the choice of an asset.

3.2 AWARENESS LEVEL

According to the Organization for Economic Cooperation and Development (OECD), "Financial literacy is that combination of consumers/investors understanding of financial products and concepts and their ability and confidence to appreciate financial risk and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being."

The Financial Literacy and Inclusion: Results of OECD/INFE Survey Across Countries and by Gender (2013) conducted by the OECD, the Russia Financial Literacy and Education Trust Fund and the World Bank stated that the way in which a person behaves will have a significant impact on their financial well-being. It is, therefore, important to capture evidence of behaviour within a financial literacy measure. Attitudes and preferences are considered to be an important element of financial literacy. If people have a rather negative attitude towards saving for their future, for example, it is argued that they will be less inclined to undertake such behaviour. Similarly, if they prefer to prioritise short-term wants then they are unlikely to provide themselves with emergency savings or to make long-term financial plans.

The study further stated that awareness of a range of products is a vital first step in removing demand-side barriers to financial inclusion. At a minimum, consumers need to know that certain financial products exist, the purpose of each category of product (e.g. to receive income, make payments, protect savings from the impact of inflation or protect households from the consequences of expenditure shocks), which products are regulated or safe, and where and how to access the relevant products (who are the suppliers, what are the access requirements, etc.).

Awareness may include knowing which features should be taken into account when choosing amongst various offers, and being aware of consumer rights and responsibilities when holding a particular product. If awareness is considered to be an approximation for supply, the analysis shows that in some cases supply exists, but demand is low i.e. people are aware that certain products are available, but they are not using them. Furthermore, financially literate people were more likely to hold insurance, a finding that strongly supports the argument that financial literacy leads to financial inclusion (since there is no reason to assume that holding insurance would make someone more financially literate). Financial literacy levels are also lower amongst people who turned to friends and family to borrow money or save, suggesting that financial education could help them to identify more secure alternatives (OECD-INFE, 2013).

On the analysis of financial literacy based on gender, the Financial Literacy and Inclusion: Results of OECD/INFE Survey across Countries and by Gender, 2013 highlighted a number of issues:

- Women display lower financial knowledge than men in most of the countries surveyed. In particular, young women, widows, less educated and low-income women lack financial knowledge the most. Gender differences in financial knowledge are in part, but not entirely, related to demographic and socio-economic factors.
- Available evidence suggests that women are less confident then men in their financial knowledge and skills, less confident in financial matters, and more averse to financial risk. They also appear to be less interested than men in financial matters.

- Women appear to be better than men at short-term money management behaviour; they are more likely than men to have a budget and to keep a close watch on their financial affairs.
- Women are more likely to experience difficulties in making ends meet. In addition, women and men have different coping strategies for making ends meet. If confronted with situations where their income is not sufficient to cover living costs, women tend to cut expenses, while men prefer finding ways for earning extra money.
- Women and men display different saving behaviour. Consistently with the evidence that they face more difficulties in making ends meet, women tend to save less and accumulate less wealth than men, typically as a result of their weaker labour market position. Moreover, men are more likely than women to be actively saving through formal financial products, while women are more likely than men to be saving cash at home or in their wallet, or to be saving in informal savings clubs. Women are also less likely than men to invest in risky assets.
- Women show more difficulties than men in choosing financial products appropriately. In particular, men are more likely than women to shop around for financial products. In some countries, men are also more likely than women to take informed financial decisions and to use independent advisors.

The SEBI-NCAER (2011) survey on how households save and invest described that household income was a relatively minor determinant of participation in financial markets. It, instead, stated that factors such as education, information, as well as quality information influence the level and degree of participation to a greater extent. This survey further stated that the estimated number of household investors constitute about 11 per cent of the total households in India.

3.2.1 Knowledge level on select investment terms

Awareness is an abstract concept which could not be accurately measured quantitatively. It is a continuous process in which various factors mould and shape the preferences and habits of an investor.

There are many definitions and models for financial awareness/literacy. For this study, we will look into the framework developed by the Personal Finance Research Centre in the UK (Atkinson, et al, 2006). This model divides financial awareness/literacy (referred to as financial capability) into five distinct domains, each of which is characterised by related knowledge, attitudes and behaviours (Table 3.1)

Table 3.1

Five domains and three aspects of financial capability

	Knowledge	Attitude	Behaviour
Making ends meet	Understanding how to make ends meet	Motivation and confidence in making ends meet	Making ends meet in practice
Keeping track	Understanding how to keep track	Motivation and confidence in keeping track	Keeping track in practice
Choosing products	Understanding how to choose products	Motivation and confidence in choosing products	Choosing products well in practice
Planning ahead	Understanding how to plan ahead	Motivation and confidence in planning ahead	Planning ahead in practice
Staying informed/ getting help	Understanding where to get information and help	Motivation and confidence in getting information and help	Staying informed and seeking help in practice

Source : Adapted from Kempson *et al* (2005)

In this model, financial literacy is both continuous and relative. There is no such thing as a perfectly financially literate person and all individuals have a need for ongoing learning on personal finance. There is also no line or benchmark that separates financial literacy from illiteracy. Financial outcomes (such as income or wealth) are not good indicators of financial literacy and persons with lower incomes or wealth are not, by definition, necessarily less financially literate (Atkinson, et al, 2006).

Awareness is commonly assumed to be the first step in the process of investment. It is only after an investor becomes aware of an investment avenue that he/she is stimulated to seek more information or begin the process of investing in that particular instrument. A cautious investor will try to get more information while a novice one will make hasty decisions towards the investment process. This sense of awareness, which depends on the intellectual capacity of an individual, will gradually change by factors such as peers, friends, relatives, media – print and electronic, professional advice, etc.

Table 3.2

Awareness level of respondents about the select investment terms

Investment terms	Level of awareness: Know well	Some what know	Don't know	No response	Total
	Percent of household row-wise				
Mutual Fund	24.77	20.45	48.86	5.91	100
Endowment Plan	16.82	15.23	61.36	6.59	100
Unit Liked Insurance Policy	13.64	9.09	71.14	6.14	100
BSE SENSEX	7.50	14.32	72.05	6.14	100
Equity Linked Savings Scheme	5.23	9.32	78.86	6.59	100
Equity Shares	9.55	9.55	74.32	6.59	100
Debentures	7.73	9.09	76.36	6.82	100
Fixed Deposits	65.45	9.55	18.18	6.82	100
Savings Deposits	60.68	7.05	25.91	6.36	100
National Savings Certificate	18.41	13.41	62.05	6.14	100
Bullion	4.32	5.91	82.73	7.05	100
Permanent Account Number	41.14	17.05	35.91	5.91	100
Real estate	26.36	14.55	52.73	6.36	100
Life Insurance	66.36	15.45	12.27	5.91	100
Health Insurance	38.64	19.32	34.77	7.27	100
Futures & Options	7.95	15.45	70.45	6.14	100
Stock Market	15.23	25.00	53.64	6.14	100
Demat	4.32	6.59	82.95	6.14	100
Wall Street	4.09	10.23	79.55	6.14	100
Dalal Street	4.09	6.14	83.64	6.14	100
Per cent of responses	22.11	12.64	58.89	6.36	100
No. of responses	1,946	1,112	5,182	560	8,800

Source : Primary Data n= 440 respondents

Table 3.2 shows that fixed deposits (65.45 per cent), savings deposits (60.68 per cent) and life insurance (66.36 per cent) are known quite well by the majority of the respondents whereas that the awareness level of respondents on the other investment terms were relatively low.

Over 70 per cent of the respondents do not know about Dalal Street, demat account, bullion, Wall Street, equity linked savings schemes, debentures, equity shares, BSE SENSEX, unit linked policy and futures and options. Around 6 per cent of the respondents did not respond which could be attributed to the fact that answering socio-economical questions were much easier than answering complex questions which were quite hard to measure qualitatively and, also, that of the methodology used for data collection. Since the data was collected through questionnaires, it is seen that respondents felt it much easier to answer questions having queries about things pertaining to their socio-economic status rather than on their financial outlook. This opened up opportunities for the respondents to neglect many potential responses which we shall be seeing from this point forward.

Taking the total responses taken from all the awareness level of investment terms, 22.11 per cent of the respondents 'know well' at least one investment term, 12.64 per cent 'somewhat know' while 58.89 per cent of the responses fall in the 'don't know' category. This indicates a very low general awareness level of common investment terms among the investors in Aizawl city. The low level of awareness in case of investment terms other than fixed deposits, savings deposits and life insurance related investments could be attributed to dismal marketing strategies of investment institutions as well as that of ineffectual financial literacy programmes of organisations involved in the investment sector.

Taking the whole of India, the financial literacy situation is quite bleak. In fact, it is at the second place from the bottom among 16 countries in the Asia-Pacific region with 59 index points (Choong, 2013). Therefore, institutions like the RBI (Project

Financial Literacy), SEBI, financial market players, state governments, educational institutions, Non-Governmental Organisations (NGOs) and other financial market regulators have introduced various programmes and modules for the general population to improve financial literacy.

The RBI has undertaken a project called 'Project Financial Literacy'. The objective of this project is to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college students, women, rural and urban poor, defence personnel and senior citizens. The project has two modules: a module focusing on the economy, RBI and its activities; and a module on general banking. The material is created in English and other vernacular languages. It is circulated to the target audience with the help of banks, local government machinery, schools and colleges through presentations, pamphlets, brochures, films and so on.

The initiative taken by the RBI was followed up by the Central Board of School Education (CBSE), the biggest school examination board in India, by deciding to include financial education in its post primary level curriculum. In another positive effort, CBSE in collaboration with National Centre for Financial Education (NCFE) which is under the National Institute of Securities Market (NISM) conducted the first 'National Financial Literacy Test' for the students of Classes VIII, IX and X on 12th January, 2014.

The SEBI has embarked financial education on a nationwide campaign. To undertake financial education to various target segments viz. school students, college students, working executives, middle income group, home makers, retired personnel, self-help groups etc., SEBI has empanelled Resource Persons (SEBI Certified Financial Education Resource Persons) throughout India. The Resource Persons are given training on various aspects of finance and equipped with the knowledge about the financial markets. These SEBI Certified Resource Persons organise workshops for these target segments on various aspects of financial education viz. savings, investment, financial planning, banking, insurance, retirement planning and so on. More than 3,500 workshops have been already conducted in various states covering around two lakh and sixty thousand participants. Investor education programmes are conducted by SEBI through investor associations all over the country. Regional seminars are conducted by SEBI through various stakeholders viz. stock exchanges, depositories, mutual funds association, association of merchant bankers, etc. The SEBI has a dedicated website for investor education wherein study materials are available for dissemination.

The SEBI also publishes study materials in English and vernacular languages. Under 'Visit SEBI' programme, school and college students are encouraged to visit SEBI and understand its functioning. The SEBI has recently set up SEBI Helpline in 14 languages wherein through a toll free number, investors across the country can access and seek information for redressal of their grievances and guidance on various issues.

The Insurance Regulatory and Development Authority (IRDA) has also taken various initiatives in the area of financial literacy. Awareness programmes have been conducted on television and radio and simple messages about the rights and duties of policyholders, channels available for dispute redressal etc have been disseminated through television and radio as well as the print media through sustained campaigns in English, Hindi and 11 other Indian languages.

The IRDA conducts an annual seminar on policyholder protection and welfare and also partially sponsors seminars on insurance products by consumer bodies. IRDA has got an all India survey on awareness levels about insurance carried out in collaboration with NCAER, in a bid to improve on its strategy of creating insurance awareness. The IRDA has also brought out a publication of *Policyholder Handbook* as well as a comic book series on insurance. A dedicated website for consumer education in insurance is on the verge of being launched. The IRDA's Integrated Grievance Management System (IGMS) creates a central repository of grievances across the country and provides information on various areas of concern to insurance policyholders.

The Pension Fund Regulatory and Development Authority (PFRDA), India's youngest regulator has been engaged in the dissemination of social security messages to the public. The PFRDA has developed a set of frequently asked questions and its related answers on pension related topics on its website, and has been associated with various non-government organizations in India in creating awareness and placing pension services within the reach of the disadvantaged community.

The PFRDA's initiatives have become more broad-based with direct mass publicity on New Pension Scheme (NPS) – both as individual model through Point of Presence (PoP) and group models through intermediaries known as aggregators. The PFRDA has issued advertisements in print media and electronic media through radio and television. The PFRDA appointed the aggregators who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic sensibilities.

Commercial banks are increasingly realising that they are missing out on a large segment of financially illiterate prospective customers. Hence, the commercial banks initiated various measures for creating awareness about the benefits of electronic transfer of funds through financial literacy and counselling centres, and the rural self-employment training institutes on financial literacy. The objective of these centres is to advise people on gaining access to the financial system including banks, creating awareness in the public about financial management, counselling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress and so on. Some of these credit counselling centres even train farmers and women groups to enable them to start their own income generating activities to earn a reasonable livelihood. Even the members of the top management of commercial banks are involved in undertaking outreach visits to villages with a view to spread financial literacy. Correspondingly, many stock exchanges, broking houses and mutual funds have started certain initiatives in the field of financial education that spawns conducting of seminars, issuance of do's and don'ts, and newspaper campaigns. Insurance companies are also involved in carrying out campaigns and other educational activities for spreading general awareness on insurance.

3.2.2 Awareness on investment agencies

As shown in Table 3.3, only State Bank of India (71.36 per cent), Mizoram Co-operative APEX Bank (66.14 per cent) and Mizoram Rural Bank (62.27 per cent) has been recognised as 'very well known' financial institution by more than half of the respondents. Industrial Credit and Investment Corporation of India (ICICI) Bank (41.36 per cent) and Vijaya Bank (42.50 per cent) also got notable mention among the well known list. Union Bank of India, Industrial Development Bank of India (IDBI), Punjab National Bank, TATA AIG, Birla Sun Life Insurance, Unit Trust of India (UTI), Syndicate Bank, Bank of Baroda, Central Bank of India and United Bank of India are among the least known banks and insurance agencies in Aizawl city. The erstwhile fake NBFCs (Zoram Shareworld, Legacy Corp. and Zawlbuk Real Estate) who had now disappeared (in 2014) due to their illegal dealings are quite unknown except for the One Week bank (*Chiahpuam*[1]) which 73.86 per cent of the respondents knows very well.

Blythe (2008) propounded that consumer decision-making on the choice of a bank is influenced by personal, psychological, external or social factors. He further stated that individual decision-making always occurs in a social, cultural, environmental or class context, as human beings interact and need to consider other people's responses. According to Hawkins et al. (2004), external factors may include culture, age, reference by friends, family, social class and subculture, and marketing activities while social factors may include family, social groups, reference groups and word-of-mouth communication. In a study conducted by Wel and Nor (2003), external

[1] 'Chiahpuam' is an expression for a ponzi scheme in Mizo dialect which literally means 'kept to rise' even though the actual meaning in the words used is immersed (*chiah*) and bloated (*puam*).

factors may include the reputation and image of a bank, its prestige, name and social class, and recommendations by relatives and friends.

Internal influences deal with self-concept and the subsequent lifestyle, based on psychological and physical influences like personality, values, emotions, memory, perception and motives (Hawkins et al., 2004). Personal factors or influences are the consumer’s internal inclinations as to whether or not to engage in the relationship with the banks. This includes factors such as convenience, the availability of ATMs and the safety of personal funds (Wel & Nor, 2003).

In a study conducted by Almossawi (2001), youths in Bahrain indicated that the five most influential factors for bank selection were (in order of importance): convenient ATM locations, the availability of ATMs in several locations, bank reputation, 24-hour availability of ATM services, and the availability of nearby parking space. Tank & Tyler (2005), however, in their study conducted among students in the UK found that recommendation by friends and family were the most important criterion, followed by reputation and the image of a bank.

Table 3.3

Awareness level of the respondents about the select investment agencies

Investment agencies	Level of awareness: Know well	Somewhat know	Don't know	No response	Total
	Percent of households row-wise				
Union Bank of India	23.18	15.91	53.18	7.73	100
ICICI Bank	41.36	26.14	27.05	5.45	100
Axis Bank	37.73	20.23	35.91	6.14	100
Mizoram Rural Bank	62.27	14.77	18.18	4.77	100
State Bank of India	71.36	11.14	12.50	5.00	100
Mizoram Apex Bank	66.14	11.36	17.95	4.55	100
IDBI Bank	33.86	19.09	40.68	6.36	100
MUCO Bank	37.05	21.82	36.36	4.77	100
Punjab National Bank	22.27	22.05	49.77	5.91	100
Vijaya Bank	42.50	19.09	32.95	5.45	100
Bajaj Alliance	24.32	26.59	42.73	6.36	100
ICICI Lombard General Insurance	20.68	31.36	41.59	6.36	100
TATA AIG	13.64	20.68	57.73	7.95	100
Birla Sun Life Insurance	18.64	23.86	50.23	7.27	100
Unit Trust of India	16.36	19.55	56.59	7.50	100
LIC	16.36	25.00	35.68	6.36	100
Syndicate Bank	16.14	27.73	53.86	7.27	100
Bank of Baroda	11.14	16.82	64.55	7.50	100
Central Bank of India	11.14	25.91	52.95	7.05	100
United Bank of India	14.09	14.55	62.50	6.82	100
Postal Bank (Post Office)	16.14	27.05	43.41	6.14	100
Zoram Shareworld	23.41	15.68	57.73	7.73	100
Kar Khat Bank (*Chiahpuam*)	73.86	12.73	7.73	5.68	100
Legacy Corp.	18.86	22.95	53.86	6.82	100
Zawlbuk Real estate	21.14	27.05	50.00	6.82	100

Source : Primary data n= 440 respondents

3.3 HOUSEHOLD INVESTOR HABITS

Habit formation is the process by which new behaviours become automatic. If a person instinctively reaches for a cigarette the moment he wakes up in the morning, he has a habit. Old habits are hard to break and new habits are hard to form. That's because the behavioural patterns we repeat most often are literally etched in our neural pathways (www.psychologytoday.com).

Booth *et al* (2000) found that inflation and change in interest rates greatly influence the savings habit of people. If inflation is outstripping interest rates, individuals are likely to buy durables such as vehicles or furniture, rather than put money into savings even if this means accessing additional credit to do so. If inflation is driven by price inelastic goods such as fuel or food, the impact is likely to be an increase in consumption costs and thus reduced ability to save.

Westaway and Mckay, (2007) in their study in UK found that there was a gap in savings habit between women and men that was not determined by income differences. Women were as likely to save as men, but they saved less money and were more likely to save for the short term, whereas men saved for the long term. They also found that women's savings patterns were more likely to be changed by lifetime events such as having a child or getting divorced. In another study conducted by Lewis and Messy (2012), men were more likely to save when they became fathers; women less likely when they became mothers. The gender differences were much less evident for women without children. Young women (16-24 years) saved more than men, and were more likely to enroll in an employer pension scheme.

CentiQ (2008) stated that there was a significant correlation between parental saving habits and those of their children. This indicates that parents influence the savings habit of their offspring.

Across the world, there are a variety of Children's Development Accounts (CDAs), or Children's Savings Accounts, which help children and young people build financial assets for adulthood. These may be offered by governments, NGOs, and financial institutions. The purpose of the accounts varies, but usually includes: building a savings habit, financial and social inclusion, increasing financial literacy, and reducing poverty. The accounts are usually low cost, incentivised with matched deposits or small 'in kind' incentives. One example of a Childrens' Development Account (CDA) is the Saving for Education, Entrepreneurship and Down-payment Initiative (SEED), introduced in USA, which promotes matched savings accounts and financial education for children and young people.

Habits greatly affect the financial portfolio of an investor. The optimal financial portfolios of an investor with a habit formation will differ from that of an investor who does not have a particular habit. Habits develop persistence in an investor towards a particular level of habituated investment style or preference. Habit persistence dampens the speculative investment behaviour of investors due to the fact that some funds must be reserved for the purpose of ensuring that consumption in the future will meet the habit level. Meanwhile, investors without any particular habit in investment process will be freer to speculate and, thereby, rely much more on their emotion and behaviour towards the latest information that they are able to collect (Munk, 2007). In this context, an attempt is made to learn when the respondents started their investment habit and the practices used by them in imparting savings and investment education to children. Even though data on savings habit or investment habit comes to mind while touching the topic of habits of investors, it is not is not included under Section 3.3 since saving and investment habit of the respondents is analysed in the Section 3.5 (Financial assets of the investors).

3.3.1 Starting point (age) of investment habit

From Table 3.4 it is observed that among the respondents, only 4.55 per cent started investing in financial instruments when they were below 18 years, 30 per cent made it between 18-25 years, 49.77 per cent made it between 26-35 years, 11.59 per cent made it between 36-45 years and 0.68 per cent made their first investment at the age of 45 years and above. From the data it seen that the majority of the respondents started investing from the age of 18-35 years (79.77 per cent). This is the period in life of a majority of persons that he/she started to earn a livelihood. A normal man tends to keep aside a part of his income for future needs and therefore has the tendency to invest.

Table 3.4

Age of the respondents when first investment was made

Age (in years)	No. of respondents	Per cent
Below 18	20	4.55
18 – 25	132	30
26 - 35	219	49.77
36 – 45	51	11.59
45 - 60	3	0.68
Above 60	-	-
No response	15	3.41
Total	440	100

Source : Primary data

From Table 3.5 and Chart 3.1, it is seen that majority of respondents below 30 years (46.55 per cent) and respondents between 31-40 years (46.95 per cent) started investing from the age of 18-25 years while a majority of respondents above the age of 40 years started investing their money when they were 26-35 years. This indicates that the younger generation i.e respondents below the age of 40 started a little earlier than the older generations (above 40 years). This could be attributed to factors such as higher income, improved access to financial investment avenues and more financial information/education available for the younger generations.

Table 3.5

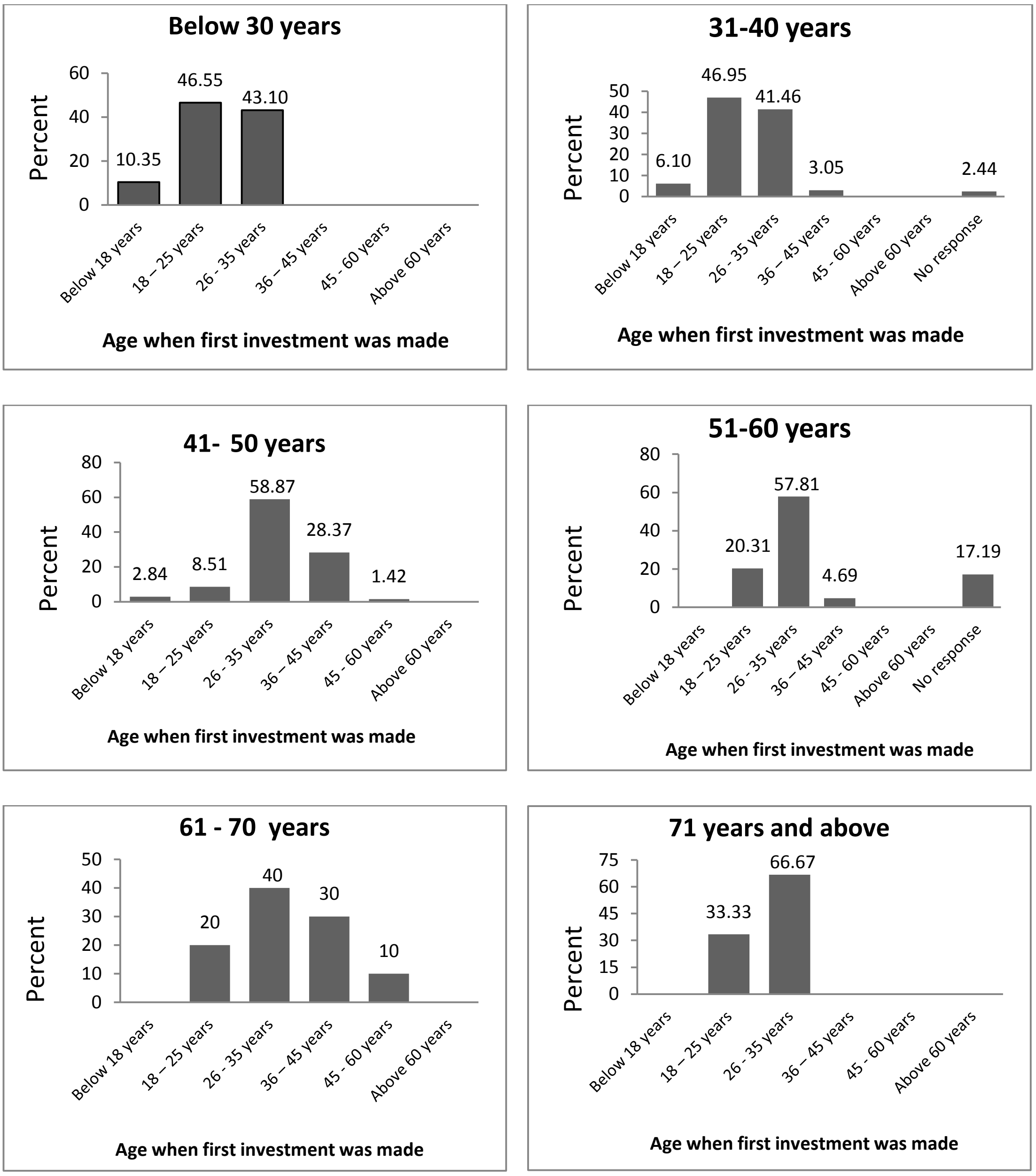
Age-wise comparison of first investment made

Age when first investment was made (in years)	No. of respondents	Age of respondents					
		Below 30	31-40	41- 50	51 - 60	61 - 70	71 and above
		Percent of households column-wise					
Below 18	20	10.35	6.10	2.84	-	-	-
18 – 25	132	46.55	46.95	8.51	20.31	20	33.33
26 - 35	219	43.10	41.46	58.87	57.81	40	66.67
36 – 45	51	-	3.05	28.37	4.69	30	-
45 - 60	3	-		1.42		10	-
Above 60	-	-	-	-	-	-	-
No response	15	-	2.44	-	17.19	-	-
Total		100	100	100	100	100	100
No. of respondents	440	58	164	141	64	10	3

Source : Primary data

Chart 3.1

Age wise comparison of first investment made



Source : Primary data

3.3.2 Habit of teaching children about savings and investment

Webley (2005) found that children make great strides in economic understanding between the ages of 6 and 12, such that children's understanding is "essentially adult" around age 12. For example, a series of small studies using games have shown that 6-year-olds may understand that it is good to save, but may view money saved as money lost. By age 9, they may understand that they can save with a bank to protect their money.

A similar development in understanding has been observed for concepts such as understanding money, prices, and supply and demand. Much of the progress children make by age 12 may be credited to age-related cognitive development, such as acquiring the ability to understand multiple causation or arithmetic. By age 12, children are better able to use strategies to resist the temptation to spend, and are able to understand concepts such as interest (Otto, 2009).

Children may acquire information (and misinformation) from their friends/classmates and the media on financial topics (John, 1999; Sherraden et al., 2011). Very young children first learn about financial concepts through watching and modelling their parents (Otto, 2009). Webley and Nyhus (2006) noted that certain personal characteristics closely related to savings, such as ability to delay gratification, are shaped early in childhood and, therefore, parents play a key role in shaping that.

Grinstein-Weiss et al. (2009) found a significant correlation between reported parental teaching of money management and higher future credit scores. In general, allowances have been associated with better monetary knowledge, but the reason behind parents' decision to provide an allowance to their children is poorly understood (Ashby et al, 2011; Otto, 2009).

Two psychologists, Costa and Kallik, in their book 'The Habits of Mind' (2008), described that unconscious mental propensities or processes (habits of mind/thought) may be cultivated in children. They show how children can be taught, at home and at school, how to 'habituate' effective problem-solving strategies and techniques into their mental repertoire so that they develop the penchant for the ability of solving problems in their daily life.

Sherraden (2010) found that if parents lack certain financial knowledge or skills, they cannot provide related instruction or model behaviours for their children. One qualitative British study (Loumidis & Middleton, 2000) found that children from lower-income families reported fewer experiences with financial services and were less likely to see their parents visit banks or to make payments other than with cash. This issue extends as children grows old enough to manage money more independently. While youth generally ask for financial advice from their parents before turning to any other source, low-income youth are less likely to have parents that are able to give advice about finances (ASEC, 1999; Sherraden, 2010). JumpStart surveys with high school students have found financial literacy levels to be correlated with personal factors including socioeconomic background (Sherraden et al., 2011; Mandell, 2009).

As Amar Pandit (2009) quoted in his book *The Art and Science of teaching children about Money*, "Most parents do not take an initiative in teaching their children about money. They might touch on the concept of piggy bank and savings early on but are usually reluctant to discuss the topic of money and family finances with their children." He further stated that the key learning points for kids should be: having healthy values about money; setting goals and priorities; thinking and making prudent choices; delaying instant gratification; and understanding the virtues of hard work.

The Indian Investor Survey (2004) suggested that at younger age, the potential investors can be encouraged to experiment for a while, taking small bets with share investment. The young people have a long future before them. They will learn from mistakes and by the time they become grownups and have substantial money to invest, they would be much better prepared for investing skillfully.

The NISM has been conducting a programme called ‘Pocket Money’. The NISM functions as a public trust and has been established and funded by SEBI since its inception in 2005. The RBI, has an interactive website wholly dedicated to financial literacy for school children and has produced eight comic books on the topic.

Table 3.6
Do you have the habit of teaching children about savings and investment?

Response	No. of respondents	Per cent
Yes	215	48.86
No	106	24.09
Can’t say/Not applicable	96	21.82
No response	23	5.23
Total	440	100

Source : Primary data

Table 3.6 show that nearly half (48.86 per cent) of the respondents has the habit of teaching their children about saving and investment while 24.09 per cent of the respondents admitted that they did not possess such a habit. One fifth of the respondents could not give a definite response (can't say) or were not applicable for them; the main reason being that 89 (20.23 per cent) of the respondents were unmarried household heads (refer to Table 2.4).

A survey by TrueCredit.com (2012) found that about 20 percent of parents had never spoken with their kids between the ages of 4 and 18 about money basics. The Parent, Kids and Money Survey (2012) conducted by T.RowePrice, a global investment management firm, found that 32 per cent of the parents among the respondents claimed that they 'very often' have conversations about money and the importance of spending and savings on a regular basis while 44 per cent of the parents claimed that they 'somewhat often' have such conversation, 20 per cent of them does 'not very often' discuss such things and 4 per cent of the parents 'almost never' have such discussion with their children. The study further found that 54 per cent of the respondents' children go first to their mother with their questions about money while 40 per cent of the children go to their respective father for such query.

3.3.3 Preferred methods of teaching children about savings and investments

Richard (1999), in his article '15 Ways to Teach Kids about Money', endorsed by the National PTA[2] stated that "Everyday spending decisions can have a far more negative impact on children's financial future than any investment decisions they may

[2] National PTA® is the registered trademark of National Parent Teacher Association which was founded in 1897 at Washington DC, USA. It has more than 23,000 recognised units consisting of "millions of families, students, teachers, administrators, and business and community leaders devoted to the educational success of children and the promotion of parent involvement in schools".

ever make". Among the 15 points, the 8 simple ways to help educate children about personal finance and managing money are shown as below:

1. As soon as children can count, introduce them to money.

2. Communicate with children as they grow about your values concerning money

3. Help children learn the differences between needs, wants, and wishes.

4. Setting goals is fundamental to learning the value of money and saving.

5. Introduce children to the value of saving versus spending.

6. When giving children an allowance, give them the money in denominations that encourage saving.

7. Take children to a credit union or bank to open their own savings accounts.

8. Teach them the skill of keeping good records of money saved, invested, or spent.

Table 3.7 shows that the mean scores from all the preferred methods for teaching children about savings and investments did not cross 3, which indicates that the preference for teaching methods used were fairly dispersed among the respondents. Among the most preferred methods, 32.04 per cent of the respondents choose to discuss financial matters with their children while 19.9 per cent consulted their children in their investment decision, 13.11 per cent involved them in family business activities, 10.19 per cent used other methods (like playing monopoly games with them, buying them a 'piggy bank' or money boxes and giving them allowances after they performed a certain task), 7.77 per cent prefer to encourage their children to read business magazines and relevant literatures and the rest, 11.66 per cent preferred to either encourage their children to opt for commerce education or encourage them to surf the internet for information or encouraged them to view business programmes on television. Based on the ranking from the weighted scores, the most preferred method was to discuss financial matters with their children, the second most preferred was to consult their children in their investment decisions and the third most preferred method was to involve them in family business activities. The least preferred method was that of encouraging their children to view business programmes on television.

Table 3.7

Preferred methods of teaching children about savings and investments

Methods	Most preferred		Second most preferred		Third most preferred			
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent	Weighted Score	Mean score
By discussing financial matters with them	141	32.04	100	22.64	96	21.74	719	2.13
By consulting them in investment decisions	88	19.9	83	18.87	19	4.35	449	2.36
By involving them in family business	58	13.11	100	22.64	57	13.04	431	2.00
By encouraging them to read business magazines and relevant literature	34	7.77	75	16.98	29	6.52	281	2.04
By encouraging them to opt for commerce education	26	5.83	8	1.89	115	26.09	209	1.40
By encouraging them to surf the internet for information	19	4.37	25	5.66	19	4.35	126	2.00
By encouraging them to view business programmes on television	6	1.46	8	1.89	48	10.87	82	1.32
Other methods*	45	10.19	17	3.77	29	6.52	198	2.18
No response	23	5.34	25	5.66	29	6.52	-	-
Total	440	100	440	100	440	100		

Source : Primary data

* Other methods are playing monopoly/business board games, buying a ‘piggy bank’ or money box and giving allowances after performing a certain task.

3.4 PREFERENCES OF THE INVESTORS

3.4.1 Risk preference

Risk, as defined in the Oxford Dictionary is "a situation involving exposure to danger" or "the possibility of financial loss". In business sense, risk, defined by www.investopedia.com is "The chance that an investment's actual return will be different than expected. Risk includes the possibility of losing some or all of the original investment. Different versions of risk are usually measured by calculating the standard deviation of the historical returns or average returns of a specific investment".

Risk in finance and business is the variability of returns from an investment and, thus, reflects the degree of uncertainty of returns on an asset. The greater the variability in return from investments, the greater will be the perceived risk. Risk tolerance is the degree of uncertainty that an investor is willing to absorb with respect to a negative change or variability in the value of his/her portfolio.

Jensen and Rangvid (2012) found that marriage causes men to reduce the fraction of wealth they hold in risky assets, which indicates that marriage makes men take less risk in investing their money. Women, on the other hand increases their risk level after marriage. Men, however, after a divorce increase their risk taking level. Vissing-Jorgenssen (2002), Bertaut and Starr-McCluer (2000) as well as Perraudin and Sorensen (2000) found that investment in risky assets tends to increase with wealth. On marriage, Love (2010) found that married investors hold riskier portfolios than single investors while Bertaut (1998) and Guisoet al (2003) found that marriage tends to increase stock market participation.

Table 3.8

Risk preference of the respondents

Level of risk preference	No. of respondents	Per cent
High	17	3.86
Little high	53	12.05
Medium	235	53.41
Little low	61	13.86
Low	59	13.41
No response	15	3.41
Total	440	100

Source : Primary data

The respondents were asked to state their risk preference from pre-determined levels. It was found in Table 3.8 that more than half of the respondents i.e. 53.41 per cent choose medium risk level. Among the others, 3.36 preferred high risk level, 12.05 per cent preferred little high risk level, 13.86 per cent preferred little low risk level and 13.41 per cent preferred low risk level.

Since the study of risk preferences is more interesting and expressive of the investors' mindset, analysis of the risk preferences on factors such as age and income of the household investors is made in Table 3.9 – Table 3.11.

Table 3.9

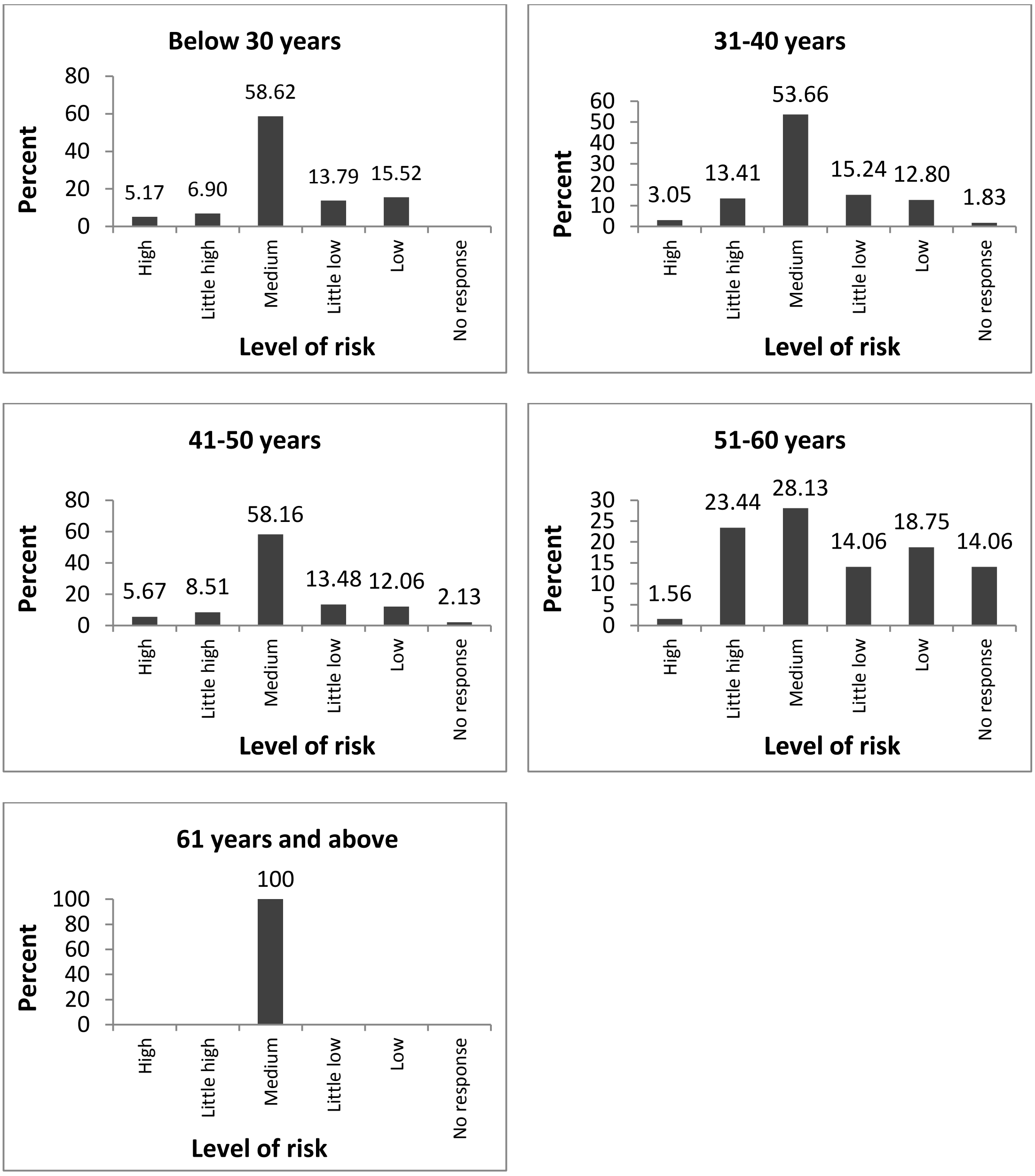
Age-wise risk level of the respondents

Age	All classes of sample household	Level of risk preference: High	Little high	Medium	Little low	Low	No response	Total
Below 30	58	5.17	6.90	58.62	13.79	15.52	-	100
31-40	164	3.05	13.41	53.66	15.24	12.80	1.83	100
41- 50	141	5.67	8.51	58.16	13.48	12.06	2.13	100
51 - 60	64	1.56	23.44	28.13	14.06	18.75	14.06	100
61 and above	13	-	-	100	-	-	-	100
No of respondents	440	17	53	235	61	59	15	
Per cent of respondents	100	3.86	12.05	53.41	13.86	13.41	3.41	

Source : Primary data

Chart 3.2

Age-wise risk level of the respondents



Source : Primary data

From Table 3.9 and Chart 3.2, it is seen that a majority of respondents from all the age groups chose medium level of risk preference. The correlation[3] between high risk preference and age was -0.756 which is quite significant and inversely correlated. This means that lower age groups had the higher probability of having a high risk

[3] Throughout this study, correlation is calculated using Karl Pearson's Coefficient of Correlation

preference and as the age group progresses higher and higher, the risk preference level tends to go down.

Thomas Domen *et al* (2005) in their study on 22,000 individuals living in Germany found that:

(1) women are less willing to take risks than men, at all ages;

(2) increasing age is associated with decreasing willingness to take risks;

(3) taller individuals are more willing to take risks;

(4) individuals with highly-educated parents are more willing to take risks.

Mather et al (2012) found that "older adults in comparison with younger adults weight certain outcomes more heavily when offered a choice between a certain and a risky option. Because of this heavier weighting, older adults both show a stronger preference for sure gains and a stronger aversion for sure losses than younger adults do. In contrast, there were no age differences in overall risk preferences when participants were asked to choose between two risky options."

Kahneman and Tversky (1979) in their groundbreaking Prospect Theory described how people generally identify or evaluate probabilities. They suggested that people overweigh outcomes that are considered certain, relative to outcomes which are merely probable, a phenomenon which they called the Certainty Effect. Certainty Effect showed that not only people treat probabilities as non-linear (i.e., people overweigh small probabilities and underweigh large probabilities) but also perceived certain outcomes (0 per cent and 100 per cent chance) as categorically different and weighed more heavily than uncertain outcomes. According to the Certainty Effect, in the domain of gains, because people overweigh certainty, and gains are desirable outcomes, overweighing a sure gain leads people to choose it over a risky gain. Conversely, in the domain of losses, because people overweigh certainty, and losses are unattractive outcomes, overweighing a sure loss leads people to not choose it over a risky loss. Thus, it determined that risk aversion arises when gains are desirable and risk seeking arises when risky losses outweigh sure losses.

However, deviating from the popular stereotype that older persons are more risk averse than younger persons, some studies (Mather, 2006; Peters, Hess et al, 2007) examining age differences in risk preferences in a controlled lab environment typically did not find reduced risk preferences among older adults. Further when given a supposedly life dilemma (e.g., making decisions about medical treatment or career planning) and asked to choose between aggressive and conservative options, older and younger adults show similar levels of risk seeking (Botwinick, 1969; Chou et al, 2007).

Table 3.10
Income- wise risk level of the respondents (Independent factor - Household income)

Monthly Household Income (Rs)	No of respondents	Level of risk (per cent of respondents)						Total
		High	Little high	Medium	Little low	Low	No response	
Upto 10,000	15	-	-	46.67	20.00	33.33	-	100
10,001 – 15,000	23	-	-	60.87	13.04	26.09	-	100
15,001 – 20,000	39	7.69	15.38	64.10	7.69	5.13	-	100
20,001 – 25,000	60	-	18.33	46.67	18.33	10.00	6.67	100
25,001 – 30,000	66	-	13.64	72.73	6.06	6.06	1.52	100
30,001 – 35,000	37	27.03	2.70	32.43	-	27.03	10.81	100
35,001 – 40,000	51	-	13.73	62.75	13.73	1.96	7.84	100
40,001 – 45,000	31	-	12.90	45.16	41.94	-	-	100
45,001 – 50,000	32	6.25	15.63	34.38	21.88	21.88	-	100
50,001 and above	86	2.33	11.63	51.16	11.63	20.93	2.33	100
No of respondents	440	17	53	235	61	59	15	440
Per cent of respondents		3.86	12.05	53.41	13.86	13.41	3.41	100

Source : Primary data

Table 3.11

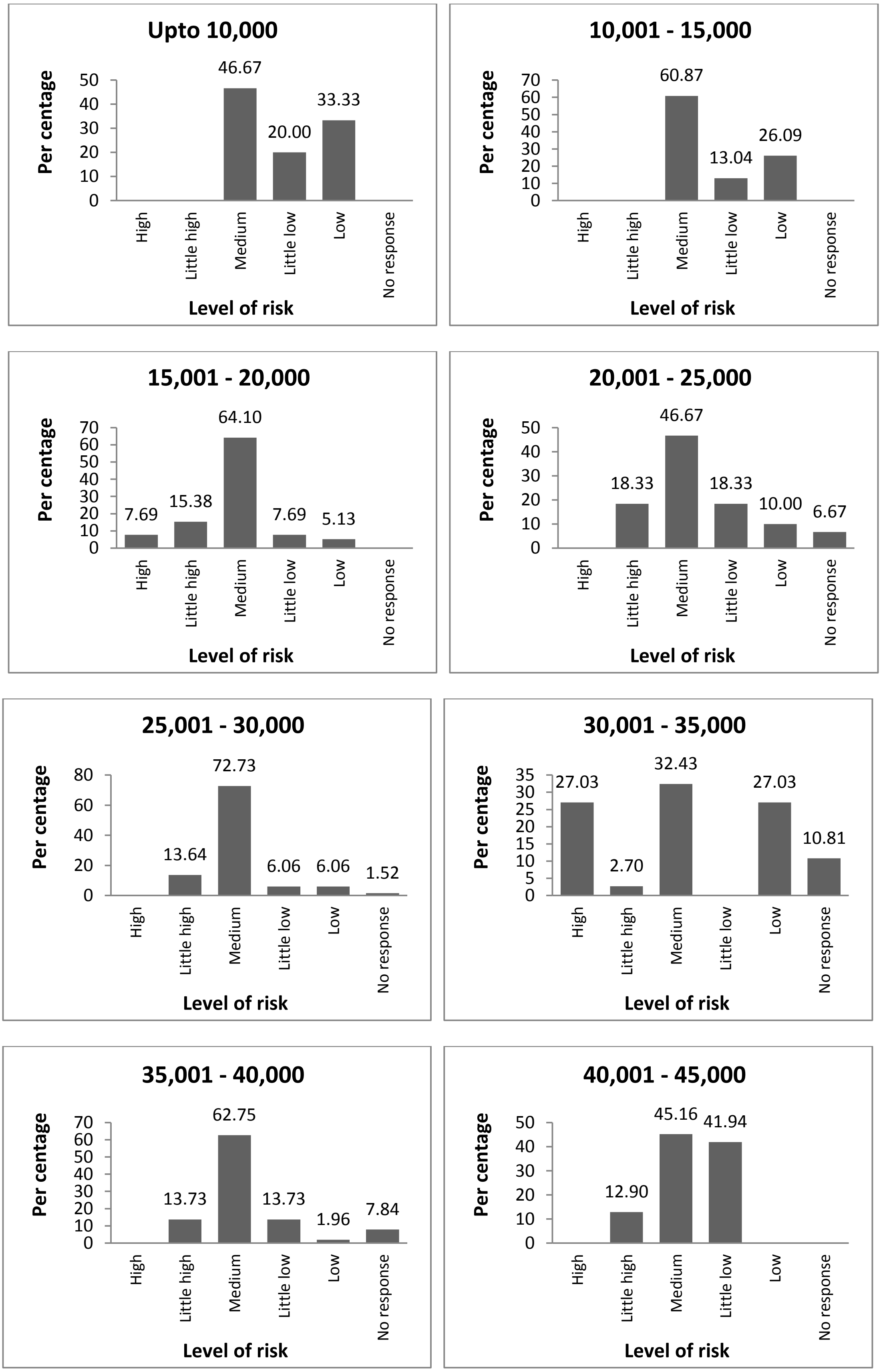
Income- wise risk level of the respondents (Independent factor – Risk level)

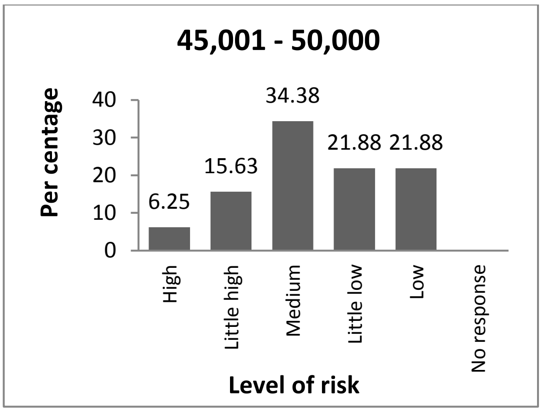
Monthly Household Income (Rs)	No of respondents	Level of risk (per cent of respondents)					
		High	Little high	Medium	Little low	Low	No response
Upto 10,000	15	-	-	2.98	4.92	8.47	-
10,001 – 15,000	23	-	-	5.96	4.92	10.17	-
15,001 – 20,000	39	17.65	11.32	10.64	4.92	3.39	-
20,001 – 25,000	60	-	20.75	11.91	18.03	10.17	26.67
25,001 – 30,000	66	-	16.98	20.43	6.56	6.78	6.67
30,001 – 35,000	37	58.82	1.89	5.11	-	16.95	26.67
35,001 – 40,000	51	-	13.21	13.62	11.48	1.69	26.67
40,001 – 45,000	31	-	7.55	5.96	21.31	-	-
45,001 – 50,000	32	11.76	9.43	4.68	11.48	11.86	-
50,001 and above	86	11.76	18.87	18.72	16.39	30.51	13.33
Total		100	100	100	100	100	100
No. of respondents	440	17	53	235	61	59	15

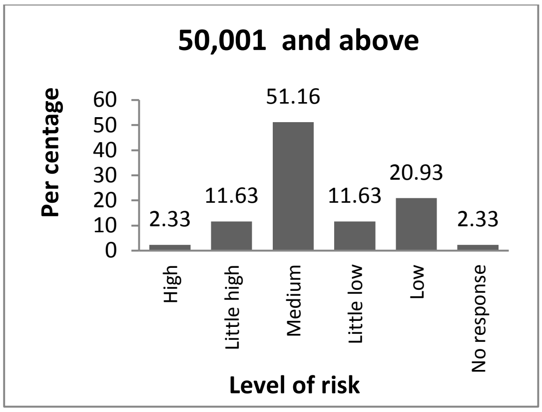
Source : Primary data

Chart 3.3

Income-wise classification of risk level of respondents







Source : Primary data

Table 3.10 described the income-wise classification of risk preference of the respondents. It is seen that the majority of the respondents from the entire income groups preferred medium risk level for their investment. The correlation between the income groups and the high risk level showed a very low correlation level at 0.115372 which implied that higher income groups doesn't necessarily have higher risk preference. This finding is in contrast with that of findings made by Carroll (2000), Dynan, Skinner and Zeldes (1996) and Quadrini (1999). It is observed from Table 3.10 that a 58.82 per cent of the respondents preferring high risk level comes from the ₹30,001-35,000 income group. Even though 51.16 per cent of the respondents belonging to the highest income group i.e. ₹50,001 and above, were having a medium risk level preference, taking risk level as the independent factor (Table 3.10), among those preferring low risk level, the highest income group make up 30.51 per cent. This further made it evident that a higher inco me group does not necessarily have higher risk preference as indicated by Felix Salmon (2009).

3.4.2 Present preference of financial instrument

Table 3.12
Present preference of financial instruments

Instruments	Level of preference: Most preferred	2nd most preferred	3rd most preferred	Weighted score	Mean score
	No. of respondents				
Fixed deposits	75 (17.05)	57 (12.95)	37 (8.41)	376	2.22
Life insurance	51 (11.59)	63 (14.32)	49 (11.14)	328	2.01
Real estate	52 (11.82)	42 (9.55)	55 (12.50)	295	1.98
Provident funds	43 (9.77)	51 (11.59)	24 (5.45)	255	2.16
Small savings schemes	48 (10.91)	23 (5.23)	51 (11.59)	241	1.98
Post office deposits	36 (8.18)	41 (9.32)	45 (10.23)	235	1.93
Retirement plan	33 (7.50)	33 (7.50)	48 (10.91)	213	1.87
Bullion	29 (6.59)	35 (7.95)	17 (3.86)	174	2.15
Child benefit plan	12 (2.73)	17 (3.86)	22 (5.00)	92	1.80
Mutual funds	9 (2.05)	11 (2.50)	25 (5.68)	74	1.64
NBFCs	9 (2.05)	15 (3.41)	8 (1.82)	65	2.03
Equity shares	6 (1.36)	9 (2.05)	23 (5.23)	59	1.55
Co-operative society deposits	6 (1.36)	8 (1.82)	2 (0.45)	36	2.25
Health insurance	6 (1.36)	5 (1.14)	2 (0.45)	30	2.31
Foreign exchange deposits	-	1 (0.23)	-	2	2.00
No response	25 (5.68)	29 (6.59)	32 (7.27)		
Total percentage	440 (100)	440 (100)	440 (100)		

Source : Primary data

Figures in parentheses are in percent

Table 3.12 shows the present preference of financial instruments indicated by the respondents. Among the instruments mentioned in the table, fixed deposits was the most preferred investment choice followed by life insurance, real estate, provident funds and small saving schemes. Another intriguing analysis of the above table is that even though it was seen that there were 66 respondents who invested in mutual funds (Table 4.1), only 9 respondents preferred it the most. This non-preference behaviour may be attributed to the dismal performance of mutual funds as a result of the world economic crisis which occurred during the data collection phase of this study.

In a study of *UK Household Portfolios by Banks* and Smith (2000) it was found that the total financial assets (excluding real estate assets) of households in UK grew from £273 bn in 1880 to £1973 bn in 1995. It was found that the proportion of savings account and bonds from the total portfolio decreased during the 15 years at 33.70 per cent to 21.50 per cent and 4.6 per cent to 0.8 per cent, respectively. In another aspect, stock investments and pension funds grew from 13.9 per cent to 17.1 per cent and 34.80 per cent to 49.40 per cent.

The Indian Household Investor Survey (2004) found that among the respondents, 81.74 per cent invested in equity shares, 33.21 per cent invested in mutual funds while 47.95 per cent invested in debentures/bonds of public and private companies.

3.4.3 Allocation of a notional sum of ₹.5,00,000

The allocation of a notional sum of ₹.5,00,000 to the respondents as shown in Table 3.13 is a type of an investment game devised in order to observe the mind of the investors. The investors were asked to distribute ₹5,00,000 to any five (5) of the eighteen (18) instruments specified in the questionnaire. Among the specified instruments, it was seen that the respondents invested heavily on the products that they were quite acquainted with. The allocation of money among the selected instruments which was between ₹50,001 to ₹1,00,000 was seen to be the most preferred proportion on investment. From among all the sample households, small saving schemes, fixed bank deposits, post office deposits, life insurance products, retirement plans, children benefit plans and provident funds; more than 20 per cent of the respondents allocate a certain amount of their money in it. This is more or less identical with the findings from Table 3.13 i.e. present portfolio of the respondents.

Debentures, foreign exchange deposits, NBFCs, futures and options, bullion and real estate investment were preferred by less than 5 per cent of the respondents. The low allocation, except in futures and options, may be due to the low awareness level of the products coupled with the respondents' reluctance to tread toward new forms of investments.

In the Indian Household Investor Survey (2004), respondents were asked to allot ₹1,00,000 from ten (10) specified investment instruments. Among the respondents, 79.02 per cent of them choose equity shares, 72.38 per cent choose bank deposits, 81.93 per cent choose Govt. savings schemes (Public Provident Fund, National Savings Certificate, Post Office Deposits, etc), 37.18 per cent choose mutual fund schemes and 40.39 per cent choose bond/debentures of private and public sector companies.

Table 3.13

Investment of notional sum of ₹5,00,000 on any five of the instruments

Instruments	All classes of sample households	Upto 25,000	25,001 to 50,000	50,0001 to 1,00,000	1,00,001 to 2,00,000	2,00,001 and above	Total	No. of respondents
		Per cent allocation of amount – Row-wise						
Small savings schemes	43.41	7.85	28.80	37.17	26.18	-	100	191
Fixed bank deposits	67.73	7.38	14.09	24.50	27.52	26.51	100	298
Post office deposits	40.45	8.43	33.71	36.52	17.42	3.93	100	178
Life insurance schemes	56.82	20.40	25.60	34.40	14.80	4.80	100	250
Retirement plan	22.27	14.29	35.71	30.61	19.39	-	100	98
Children benefit plan	46.59	13.66	23.90	49.27	13.17	-	100	205
Health insurance	17.27	2.63	39.47	30.26	10.53	17.11	100	76
Company deposits	7.27	9.38	37.50	50	-	3.13	100	32
Mutual funds	5.91	-	53.85	26.92	19.23	-	100	26
Debentures	0.23	-	-	100	-	-	100	1
Equity shares	3.64	31.25	-	43.75	25.00	-	100	16
Provident funds	27.05	13.45	32.77	15.97	20.17	17.65	100	119
Foreign exchange deposits	1.36	33.33	-	66.67	-	-	100	6
Co-operative society deposits	6.14	-	33.33	37.04	25.93	3.70	100	27
NBFCs	0.23	-	-	100	-	-	100	1
Futures and options	4.32	15.79	-	42.11	-	42.11	100	19
Bullion	0.45	-	-	-	100	-	100	2
Real estate	2.95	-	-	100	-	-	100	13
No. of respondents	100	176	409	535	296	142		1558

Source : Primary data n= 440 respondents

3.5 FINANCIAL ASSETS OF THE INVESTORS

3.5.1 Savings

Savings are the unconsummated earnings of an individual which could further be used for capital or wealth creation. In simple words, savings is the excess of financial income over financial consumption. Savings has been defined by the Central Statistical Organisation (CSO) as the excess of current income over current expenditure and is the balancing item on the income and outlay accounts of producing enterprises and households, government administration and other final consumers. In India, domestic savings is derived from three sectors viz. household sector, private-corporate sector and the public sector. The household sector comprises of individuals, non-corporate business and private collectives such as religious organisations, educational institutions and charitable foundations. Savings can be held in the form of liquid assets like bank deposits and gold, financial assets like shares, securities and insurance policies, and physical assets. The private sector includes joint stock companies in the private business sector, industrial credit and Investment Corporation etc., and cooperative institutions. Savings of the corporate sector is represented by the retained earnings of this sector. Government sector consists of the central and state governments, the local authorities and various government and department undertakings; hence the savings of this sector relates to the budgetary surplus on current account of the central government, state governments, local authorities, the current surplus of various government departments and retained projects of government undertakings.

It is generally perceived that savings fronts the path to higher investment and, hence, higher GDP growth in the short-run (Bacha, 1990). On the contrary, several studies have propounded that economic growth contributes to growth in savings (Salz, 1999.). Caroll *et al* (2000) stated that "if utility depends partly on how consumption compares to a habit stock determined by past consumption, an otherwise-standard growth model can imply that increases in growth can cause increased savings". Jappelli and Pagano (1994) presented in their study that a higher savings rate do led to higher economic growth. Krieckhaus (2002) in his study of 32 countries found that higher level of national savings led to higher investment and, as a result, caused higher economic growth.

Jerath (2008) in her study on savings behaviour in NCT of Delhi explores the savings behaviour of households by studying their reasons for saving, attitude towards saving, extent of risk taken while investing savings/risk tolerance, savings ratio, and satisfaction with the level of savings, and also the change in reasons to save as the needs of households change. The study shows that as the household heads progress in age and occupational status, their satisfaction with level of savings increases. Satisfaction with level of savings is higher for household heads belonging to Delhi or those who have stayed for more than 41 years in Delhi. Households that are residing in their own houses, have higher income, higher savings, more than two earners and no dependent girl-child are found to be more satisfied with their savings.

3.5.2 Per cent of income saved

Table 3.14

Per cent of income saved by the respondents

Per cent of income saved	No. of respondents	Per cent
Nil	47	10.68
1 – 10 percent	196	44.55
11 – 20 percent	93	21.14
21 – 30 percent	50	11.36
31 – 40 percent	9	2.05
41 percent and above	11	2.50
No response	34	7.73
Total	440	100

Source : Primary data

Table 3.14 shows that 10.68 per cent of the respondents do not save, 44.55 per cent of the respondents save up to 10 per cent of their income, 21.14 per cent of the respondents save 11-20 per cent, 11.36 per cent of the respondents save 21-30 per cent, 2.05 per cent of the respondents save 3-40 per cent and 2.50 per cent of the respondents save more than 41 per cent of their income. The saving habit seen from Table 3.14 is far lower than the national Gross Domestic Household Savings rate of 22.3 per cent for the year 2012-13 (Indian Economic Survey, 2012-13).

The low savings habit of the respondents could be partly attributed to the income tax exemption granted to the scheduled tribes (majority of the respondents) living in Mizoram which gives a majority of the people of Mizoram more purchasing power and less incentives (one of them being the incentives available for income tax payers in the deduction of their gross total income while making tax returns) for savings.

Unny (2002) in his study on rural Kerala found that the propensity to save in the rural household sector is very high. Level of income, income inequalities, value of assets and level of education of the head of the household positively influence savings whereas number of male children, number of earners and dependency ratio influence negatively. Among the occupational groups, households engaged in non-farm sector have higher propensity to save. The number of female children was, believed to have a positive influence on savings; however, in the present sample this factor shows a negative influence.

Table 3.12 portrays the percentages of the GDS from 1950 onwards. The household savings was a mere 6.5 per cent in 1950-51 but gradually increased to 9.2 per cent in the year 1955-56. After the household savings rate declined to below 9 per cent in 1957-58, it took nearly a decade to reach 9 per cent again. After many upward and downward movements in the past years the household savings rate plotted an upward trend, eventually reaching 22.3 per cent and 30.8 per cent in the year 2011-12.

The GDS rate peaked in 2007-08 (36.8 per cent) but gradually went down from there and this decline, by the way, coincided with the global financial crisis which started in 2008 and affected all the nations. Personal savings in India increased to ₹22,124.14 billion in 2013 from ₹20,547.37 billion in 2012. As per the reports from the Ministry of Statistics and Programme Implementation (MOSPI), personal savings in India averaged ₹3,121.11 billion from 1951 till 2013, reaching an all time high of ₹22,124.14 billion in 2013 and a record low of ₹6.34 billion in 1952.

Table 3.15

Gross Domestic Savings in India from 1950-51 to 2011-12 (in per cent)

Year	Household	Private corporate sector	Public sector	Total	Year	Household	Private corporate sector	Public sector	Total
	1	2	3	1+2+3		1	2	3	1+2+3
1950-51	6.5	0.9	2.1	9.5	1981-82	10.8	1.5	5.2	17.5
1951-52	5.7	1.2	2.8	9.8	1982-83	11.2	1.5	5.1	17.8
1952-53	6.4	0.6	1.8	8.8	1983-84	11.8	1.4	3.9	17.1
1953-54	5.7	0.8	1.5	8	1984-85	12.8	1.6	3.5	17.8
1954-55	6.9	1.1	1.9	9.9	1985-86	12.7	1.9	3.9	18.4
1955-56	9.2	1.2	2.2	12.5	1986-87	13	1.6	3.5	18.1
1956-57	9	1.1	2.4	12.5	1987-88	15.6	1.6	2.8	20
1957-58	7.4	0.9	2.4	10.6	1988-89	15.3	1.9	2.7	20
1958-59	6.3	0.9	2.1	9.3	1989-90	16.5	2.4	2.4	21.3
1959-60	7.7	1.1	2.1	11	1990-91	18.5	2.6	1.8	22.9
1960-61	6.8	1.6	3.2	11.6	1991-92	15.7	3	2.6	21.3
1961-62	6.5	1.7	3.4	11.6	1992-93	16.5	2.6	2.2	21.3
1962-63	7.4	1.7	3.7	12.8	1993-94	17	3.4	1.3	21.7
1963-64	6.8	1.7	4	12.4	1994-95	17.9	3.4	2.3	23.6
1964-65	6.9	1.4	3.9	12.3	1995-96	16.2	4.8	2.6	23.6
1965-66	9	1.4	3.8	14.2	1996-97	15.8	4.4	2.2	22.4
1966-67	9.7	1.3	2.9	13.9	1997-98	18.1	4.2	1.9	24.2
1967-68	8.6	1.1	2.5	12.1	1998-99	19.5	3.8	-0.2	23.2
1968-69	8.1	1.1	2.9	12	1999-2000	21.8	4.3	-0.5	25.7
1969-70	9.8	1.2	3.1	14.1	2000-01	21.4	3.7	-1.3	23.8
1970-71	9.5	1.4	3.4	14.3	2001-02	23.2	3.3	-1.6	24.9
1971-72	10.3	1.5	3.3	15.1	2002-03	22.3	3.9	-0.3	25.9
1972-73	9.5	1.4	3.2	14.1	2003-04	23.2	4.6	1.3	29
1973-74	11.7	1.6	3.5	16.8	2004-05	23.6	6.6	2.3	32.4
1974-75	10.7	1.8	4.1	16.7	2005-06	23.5	7.5	2.4	33.4
1975-76	11.3	1.2	4.8	17.4	2006-07	23.2	7.9	3.6	34.6
1976-77	12	1.3	5.6	18.8	2007-08	22.4	9.4	5	36.8
1977-78	12.9	1.3	5	19.2	2008-09	23.6	7.4	1	32
1978-79	14.4	1.4	5.2	21	2009-10	25.2	8.4	0.2	33.7
1979-80	13	1.9	5	19.9	2010-11	23.5	7.9	2.6	34
1980-81	12.1	1.6	4.1	17.8	2011-12(1R)	22.3	7.2	1.3	30.8

1R = 1st revised estimates

All yearly figures are in percentages

Source : Indian Economic Survey 2012-2013

3.5.3 Investment portfolio

Oxford dictionary defines portfolio as a range of investments held by a person or organization. It as a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal(s). Items that are considered a part of a portfolio include assets like real items such as art and real estate, equities, fixed-income instruments, cash and other liquid assets like gold and precious metals/gems. Understanding how investors allocate their financial assets is of a key interest to researchers, policy makers, and financial institutions (Investopedia.com).

The 'Modern Portfolio Theory' put forward by Markowitz (1952) suggests a hypothesis on the basis of which, expected return on a portfolio for a given amount of portfolio risk is attempted to be maximised or alternately the risk on a given level of expected return is attempted to be minimised. This is done so by choosing the quantities of various securities carefully, taking mainly into consideration the way in which the price of each security changes in comparison to that of every other security in the portfolio, rather than choosing securities individually. In other words, the theory uses mathematical models to construct an ideal portfolio for an investor that gives maximum return depending on his risk appetite by taking into consideration the relationship between risk and return. According to this theory, each security has its own risks and that a portfolio of diverse securities shall be of lower risk than a single security portfolio. Hence, the theory emphasises on the importance of diversifying to reduce risk.

Guiso and Lippelli (2008) revealed that the portfolio of affluent individuals differs dramatically from that of the less wealthy individuals, especially because the wealthy tend to participate much more to the stock market and to have more diversified portfolios. The *Survey of Consumer Finances* (2014) observed that, despite the existence of mutual funds, many stockholders invest in undiversified portfolios of individual stocks. This phenomena is widespread; in 1998, about 14 million households, roughly 30 per cent of all equity owning households, were investing in portfolios of 1 to 5 stocks. Poor diversification is persistent and practically unchanged over the 15 years covered by the surveys. Households invest large fractions (15 per cent – 33 per cent) of their total financial wealth in undiversified portfolios, and the potential risks for such households due to poor diversification are significant.

Taking equity shares into account, despite the prevalent financial advice to hold well-diversified portfolios, several studies (Campbell, 2006; Calvet *et al*, 2007; Goelzmann and Kumar, 2008) found that many individual investors instead have the tendency to concentrate their portfolios in a small number of stocks. There are a few key reasons why households having stock market investments might hold poorly diversified portfolios. Firstly, fixed expenditures in trading securities make it uneconomical for households with restricted wealth to hold a large number of stocks directly (Liang and Weisberner, 2002). Secondly, a lack of diversification could be incited by individual behavioural biases such as familiarity or overconfidence (Zhu, 2002; Barber and Odean, 2000). Thirdly, individual investors tend to hold concentrated portfolios because they were able to identify stocks with high expected returns (French and Poterba, 1991).

Table 3.16

Respondents' distribution of instruments in portfilio

Investment instruments	No. of respondents	Percent of investment from total portfolio: Less than 10	11-20	21-30	31-40	41-50	51 and above	No of response
	Per cent from total no. of respondents							
Small savings schemes	94.32	39.09	26.14	19.77	5.00	1.82	2.50	415
Fixed Bank deposits	32.73	8.64	6.14	3.86	2.27	5.91	5.91	144
Post office deposits	22.05	9.32	6.36	2.27	2.50	0.68	0.91	97
Life insurance schemes	84.77	29.09	30.68	12.50	4.77	5.00	2.73	373
Retirement plan	42.27	8.86	9.55	3.86	5.00	4.09	10.91	186
Children benefit plan	22.73	11.36	7.95	1.14	2.27	-	-	100
Health insurance	5.68	3.86	0.91	0.91	-	-	-	25
Company deposits	1.14	0.91	-	-	-	0.23	-	5
Mutual funds	15.00	6.36	4.32	1.82	2.50	-	-	66
Debentures	6.59	4.09	1.14	1.36	-	-	-	29
Equity shares	18.86	6.14	7.95	2.73	2.05	-	-	83
Provident funds	22.05	7.50	5.00	2.05	1.36	2.50	3.64	97
Foreign exchange deposits	3.41	1.14	2.27	-	-	-	-	15
Co-operative deposits	3.64	1.36	1.82	0.45	-	-	-	16
NBFCs	42.73	8.41	10.00	3.41	7.27	4.32	9.32	188
Futures and options/bullions	-	-	-	-	-	-	-	0
Bullions (gold, silver, etc)	45.91	16.36	15.23	4.77	7.50	2.05	-	202
Real estate	11.36	1.14	1.59	0.45	1.36	2.05	4.77	50
No. of responses		720	603	270	193	126	179	2091
Per cent of responses		34.43	28.84	12.91	9.23	6.03	8.56	100

Source : Primary data

* Total responses exceeded 440 because one household can invest in more than one instrument

3.5.4 Present portfolio of the investors

Table 3.16 shows the distribution of instruments from the respondents' total financial portfolio. It is seen from Table 3.16 that small saving schemes (94.32 per cent), fixed deposits (32.73 per cent), post office deposits (22.05 per cent), life insurance schemes (84.77 per cent), children benefit plans (22.73 per cent), provident funds (22.05 per cent), NBFCs (42.73 per cent) and bullions (45.91) were those instruments where the respondents kept more than 20 per cent of their financial wealth. Taking the highest proportion occupied by the instruments on the predetermined classes of portfolio percentages shown in Table 3.16, 39.09 per cent of the respondents kept less than 10 per cent of their total portfolio on savings deposits, 30.68 per cent of the respondents kept 11-20 per cent of their total portfolio in life insurance schemes, 24.77 per cent of the respondents kept 21-40 per cent of their total portfolio on savings deposits, 5.91 per cent of the respondents kept 41-50 per cent of their total portfolio on fixed deposits and 10.91 per cent of the respondents kept 51 per cent and above of their total portfolio in retirement plan schemes.

No investment was done on futures and options by the respondents. It may be implied that the relatively recent entry of 'futures and options' as an investment instrument in India and the low awareness level (more than 70 per cent of the respondents do not know it – Table 3.1) could be the reason for the respondents not having any investment under these instruments.

The high prevalence of respondents having smaller portions of their portfolio in savings deposit may be due to the fact that they had channelised their savings for further investment on other instruments having higher interest rates. In another aspect, the high concentration of fixed deposits, NBFCs and real estate on investments in classes having higher portions of total portfolio (41-50 per cent and more than 51 per cent) may be due to the general requirement of huge amounts of money in investing in these instruments.

42.27 per cent and 22.05 per cent of the respondents had provident fund investment and pension benefit plan, respectively. This data more or less correspond with the information from Table 2.16 where 47.50 per cent of the respondents were government employees, who generally have retirement or provident fund investments.

Singh (2013) in his study on investors in Manipur, India found that 55.16 per cent kept their money on commercial banks, 28.15 per cent deposited their money in post office, 50.37 per cent bought insurance schemes and 7.41 per cent invested their money in government securities.

3.5.5 Investment in insurance schemes

Insurance is actually a contract between two parties whereby one party called the ‘insurer’ undertakes in exchange for a fixed sum called the ‘premium’ to pay the other party on the happening of a certain event. Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events. Insurance is divided into two parts namely, life insurance and general insurance. Life insurance is connected with the insurance of the life of a person or group of persons while general insurance cover all the area other than life insurance.

In 1993, the Government of India set up a committee under the chairmanship of R.N. Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994, wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter the Indian insurance sector, but only on a joint venture with Indian companies.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA were the promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26 per cent of total shares. The IRDA has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders' interests.

The IRDA's annual report, 2011-12 shows that since opening the insurance sector to private players in the year 2000, it has been growing at about 20 per cent on an average but the year 2011 saw the first-ever fall in life insurance density to $49 in 2011, from $55.7 in 2010. The life insurance density has further slipped down to $42.7 in the 2012-13 IRDA annual report. The insurance penetration has declined from 4.60 per cent of GDP in 2009 to 3.17 per cent of GDP in 2012. Insurance penetration swelled consistently till 2009 but slipped for three consecutive years (2010-2012). This has been attributed to a slower rate of growth in the life insurance premiums compared with that of the rate of growth of the Indian economy. Data from the IRDA shows that the life insurance industry has seen a big dip in premiums due to fluctuations in both group segment and the single premium segment. Even Life Insurance Corporation (India's largest life insurer) experienced a 6 per cent drop in new business premiums for the April-January, 2013. There are 24 insurance companies in India (Annexure 3) in 2014 and nearly all of them have offices in Aizawl city.

In Mizoram, insurance penetration plunged from 1.55 per cent in 2006-07 to 0.39 per cent in 20011-12 while insurance density also plunged from ₹516.30 in 2006-07 to ₹220.90 in 2012-13. The situation in Mizoram is a bit lower than the national average of 0.78 per cent insurance penetration in 2011-12 and ₹514 of insurance density in 2012-13(IRDA Annual Report, 2012-13). There are 24 insurance companies in India in 2014 (Annexure 4) and nearly all of them have offices in Aizawl city.

In a study of insurance in Mizoram, Gyanendra Singh (2011) found that among the households holding life insurance policies, 65 per cent of have two or more number of policies while the rest have only one life insurance policy. He further observed that 30 per cent of insurance policy holders have a sum assurance (SA) of ₹50,000 to ₹1 lakh, 24.38 per cent have SA of ₹1 lakh to ₹2 lakh, about 20 per cent have SA of ₹2 lakh to ₹5 lakh and only 10.63 per cent have SA above ₹5 lakh. Approximately two third of the policies owned by the respondents were either endowment plans or money back plans which clearly shows popularity of these two types of plans.

Table 3.17

Type of insurer preferred by the insurer

Type of insurer	No of respondents	Per cent*
Private sector insurers	196	44.55
Public sector insurer (LIC)	259	58.86
None	42	9.55
No response	25	5.68

Source : Primary data n = 440 respondents

* Total percentage is more than 100 because some respondents invested in both public and private insurers

An attempt is made to know the type of insurer in which investment was made by the respondents. In Table 3.17, 58.86 per cent of the respondents bought life insurance products from a public sector insurance company i.e the Life Insurance Corporation of India (LICI), 44.55 per cent bought life insurance products from private insurance companies and 9.55 per cent of the respondents did not have any life insurance in their financial portfolio basket. The total of all the respondents exceeded 440 because many of the respondents bought life insurance products from both the private and public sector insurance firms. It is quite intriguing to note that from the respondents (head of household) who had the ability and awareness to make an investment, there are still 9.55 per cent of them who did not possess any life insurance product in their name. In general financial education instructions, the first step in investment involves the buying of insurance products which these 9.55 per cent of the respondents did not care or were aware to follow at all.

Gyanendra Singh (2011) observed that among policyholders of LIC in Mizoram, 42 per cent of the respondents indicated that better returns, attractive plans and reputation of the company as the main reasons for preferring private insurers as compared to public insurers.

Another study conducted by Sheela and Arti (2007) shows that the market share of the public insurer LIC has drastically gone down and is in need of evolving more customer oriented strategies in order to defend its existing market share and customer loyalty.

3.5.6 Investment in mutual funds

US Securities and Exchange Commission defines mutual fund as a type of investment company that pools money from many investors and invests the money in stocks, bonds, money-market instruments, other securities, or even cash. As per the SEBI (Mutual Funds) Regulation, 1996, “mutual fund” means a fund established in the form of a trust to raise monies through the sale of units to the public or a section of the public under one or more schemes for investing in securities including money market instruments or gold or gold related instruments or real estate. They are sometimes referred to as "investment companies" or "registered investment companies".

Mutual funds may be classified according to their maturity period (open ended and closed ended schemes) or investment objectives (balanced fund, equity fund, liquid fund, debt fund, tax saving schemes, index fund and so on). There cannot be a universal classification of mutual funds because of the intense dynamism in which new schemes are being invented and merged by the mutual fund companies.

Unit Trust of India was set up in 1963 to be the first mutual fund in India. In early 1990s, Government allowed public sector banks and institutions to set up mutual funds. In the year 1992, Securities and exchange Board of India (SEBI) Act was passed. Thereby, SEBI formulates policies and regulates the mutual funds to protect the interest of the investors. SEBI notified regulations for the mutual funds in 1993. After 1993, mutual funds, sponsored by private sector entities were allowed to enter the Indian capital market. The regulations were fully revised in 1996 under the SEBI (Mutual

Funds) Regulation Act, 1996 and have been amended thereafter from time to time. All mutual funds whether promoted by public sector or private sector entities including those promoted by foreign entities are governed by the same set of regulations. As per the Association of Mutual Funds in India (AMFI) report, there were 47 registered members as on 2.4.2014 (Annexure 3).

Table 3.18
Mutual fund preferred by respondents

Mutual Fund	No of respondents	Per cent
Private Mutual Fund	19	4.32
Govt/ Public Sector Mutual Fund	35	7.95
Both	12	2.73
None	159	36.14
No response	215	48.86
Total	440	100

Source : Primary data

* Total number of respondents exceeded 440 because 24 (5.45 per cent) respondents invested in both private and public sector mutual funds.

Table 3.18 shows that 4.77 per cent of the respondents invested only in private sector mutual funds, 8.64 per cent of the respondents invested only in public sector mutual funds and 3.41 per cent of the respondents invested in both the private and public sector mutual funds. The stark difference (public sector investment nearly the double of private sector investment) between the private and public sector investment could be attributed to the early entry of public sector mutual funds in Aizawl. UTI, which was set up in 1963 was the first mutual fund to be available in Aizawl city.

From Table 3.18 it could be assessed that the penetration of mutual fund in the investors in Aizawl City was comparatively lower than the results of the Household

Investors' Survey, 2004 (similar stratified survey on investors only; survey done throughout India) in which 33.21 per cent of the investors invested in mutual funds.

SEBI-NCAER Survey of India Investors (2003) found that villages that are close to urban centres significantly participate in financial markets particularly in the mutual funds. This survey found that a strong preference of investors towards mutual funds (43 per cent) and secondary markets (22 per cent) existed. In urban areas, 41 per cent of investors invested in mutual funds and 21 per cent in secondary markets, whereas, 46 per cent rural population chooses mutual funds and 22 per cent chose secondary markets.

3.6 SOURCES OF FUNDS FOR INVESTMENT

From Table 3.19 it is seen that regular monthly household/business income is the biggest source of fund for investment with a weighted score of 1003. Among the biggest sources of fund, the composition of the respondents were 68.41 per cent from household/business income, 9.55 per cent from inherited funds/property, 7.27 per cent from funds borrowed from other sources, 4.09 per cent from funds borrowed from banks, 2.73 per cent from funds borrowed from relatives and friends and 2.05 per cent from funds borrowed from NBFCs and money lenders. On further interview with many of the respondents about the fund borrowed from banks, nearly all of the interviewed respondents stated that it were the residual amounts taken in the form of term loans and housing loans and not directly loans taken purely for investment purposes.

Table 3.19

Sources of fund for making investments

Sources of fund	Biggest source	2nd biggest source	3rd biggest source	Weighted score	Mean score
From regular household income/business	301 (68.41)	45 (10.30)	10 (2.27)	1003	2.82
From inherited funds	42 (9.55)	84 (19.01)	17 (3.86)	311	1.8
Out of funds borrowed from Banks	18 (4.09)	63 (14.26)	6 (1.36)	186	2.14
Out of funds borrowed from other sources	32 (7.27)	17 (3.96)	27 (6.14)	157	2.07
Out of funds borrowed from relatives and friends	12 (2.73)	28 (6.34)	22 (5)	114	1.84
Out of funds borrowed from NBFCs and money lenders	9 (2.05)	7 (1.58)	14 (3.18)	55	1.83
No response	26 (5.91)	196 (44.55)	344 (78.18)		
Total	440 (100)	440 (100)	440 (100)		

Source : Primary data
Figures in parentheses are in percentages

The sudden drop of responsive respondents from the biggest source to the second biggest and third biggest source of fund was due to the fact that many of the respondents had only one source of income and, thereby, no responses were received from them. This change also shows the general composition of respondents who have had single and multiple source of income.

According to the NSS Report 1999-2000, income sources can be classified into income accruing from economic activities and income accruing from non-economic activities. Non-economic activities include income from rent, pension, remittances, interest and dividends. Economic activities include wage/ salaried employment (regular or casual) and household enterprise (cultivation, fishing or other agricultural enterprises). In this survey, 55.71 per cent of the urban residents received their income from wages/salaried employment, 25.52 per cent received income from agricultural cultivation while 24.01 per cent received income from non-agricultural enterprises (Businesses and contracts). The data on Mizoram state from the NSS report is shown in Table 3.20. Among the rural population it is seen that 55.71 per cent received their income from wage/salaried employment, 25.52 per cent from cultivation occupation, 24.01 per cent from non-agricultural enterprises and so on. Further, it is seen that among the rural population, the biggest source of income is from cultivation (76.64 per cent) followed by fishing/other agricultural enterprises (37.62 per cent) and wage/salaried employments (29.67 per cent).

Table 3.20
Income from different sources - Mizoram

	Area	
Sources of income	**Urban**	**Rural**
Cultivation	219 (25.52)	328 (76.64)
Fishing/other agricultural enterprises	85 (9.91)	161 (37.62)
Wage/Salaried employment	478 (55.71)	127 (29.67)
Non-agricultural enterprises	206 (24.01)	51 (11.92)
Pension	27 (3.15)	8 (1.87)
Rent	64 (7.46)	2 (0.47)
Remittances	8 (0.93)	3 (0.70)
Interest and Dividends	4 (0.47)	4 (0.70)
Others	221 (25.76)	131 (30.61)
Total sample households	858 (100)	428 (100)

Source : Sources of Household Income in India (1999-2000), NSSO
Figures in parentheses are in percentages
Total percentages are more than 100 because households may have more than one income source

3.7 CONCLUSION

Given the situation of financial awareness of Mizoram as a whole, the situation of Aizawl city, being the state capital, is regarded to be relatively better than other parts of the state. From the findings, it is observed that even the state capital's situation on investment awareness and education is not at par with other state capitals. Given the complexity of current financial instruments and financial decision required in everyday life from comparing credit card offerings to choosing methods of payments in deciding how much to save, when to invest and how to get the best loan, individuals need to know how to interpret and comprehend financial jargons. This awareness can be implemented with the use of financial literacy programmes, in public areas and in homes.

Providing and fostering financial education to children is, now-a-days, an essential part of a modern family life. Therefore, parents should take more effort to provide allowances to their children while making them take active part in maintaining a savings deposit account in a recognised bank. The ways in which a family spends its earnings has to be monitored and such techniques should be taught in the family in order to maintain a healthy financial position.

The financial portfolio of the respondents skews towards traditional investment instruments like safety deposits, fixed deposits, etc. With the changing environment of our financial market, seller of equity based securities should take more effort in marketing their products while concentrating on customer satisfaction. Such marketers should do more research in studying and analysing the sources of income, risk perception and preferences of potential as well as present investors.

CHAPTER 4

EXPERIENCES, PERCEPTIONS AND MOTIVES OF HOUSEHOLD INVESTORS

This chapter attempts to study the experiences faced by the household investors especially in the context of the financial frauds that occurred in Mizoram, and their perceptions on various issues as well as their investment motives.

4.1 INTRODUCTION

The experiences faced by an individual play a very important role in their future behaviour. The effect of past experiences shapes the perception of individuals towards their environment and, thereby, affects their future decisions (Wilson and Gilbert, 2003). Perception is not the passive receipt of signals from physical and chemical stimuli, but is shaped by learning, memory, expectation, and attention (Richard and Zangwill, 1987). From various literatures we can see that the culmination of various factors like past experiences, perceptions, sensory stimuli and motives result in sub-homogeneous actions which we know as behaviour or, if it happens repeatedly, forms into a habit. Motives are the ‘whys’ of behaviour - the needs or wants that drive behaviour and explain what we do. We don't actually observe a motive; rather, we infer that one exists based on the behaviour we observe (Nevid, 2013).

From various literatures on decision making (eg. Juliusson et al, 2005; Stanovich & West, 2008; Bruin et al 2007; and Acevedo & Krueger, 2004), we can see that past experiences, cognitive biases, personal beliefs, personal relevance, escalation of commitment and external influences of nearby elements affect the decision making process of a person. Heuristics[1] serve as a framework in which satisfactory decisions are made quickly and easily (Shah & Oppenheimer, 2008). Many types of heuristics have been formulated to explain the decision making process; essentially, individuals work to reduce the effort they need to apply in making decisions and heuristics offer individuals a general guide to follow, thereby reducing the effort they must expend. Heuristics and factors influencing decision making together can make a significant impact in critical thinking (West et al, 2008). Nokes et al (2007) proposed that appropriate and best decisions for a particular situation could be inherently taught. But, heuristics, in its rigid nature, alone could not be used in investment decisions because of the dynamic and volatile nature of the financial world. Flexibility and prompt action is always needed to get the optimum return from investments. In India, investment decision-making for the household, in the sense of nuclear family, lies primarily with the household head, directly and indirectly (*Indian Household Investors Survey*, 2004). Thus, it is important to study the factors influencing the decision making process of a household investor.

The study of behavioural finance has ignited a continuous series of studies in explaining the behavioural aspects of investment decisions. It examines choice under uncertainty. In behavioural finance, financial markets are studied using models which are less narrow than those given by expected utility theory and arbitrage assumptions (Neumann and Morgenstern, 1947). Behavioural finance is a response for understanding the complications faced by the traditional models in financial markets which argues that some financial incidents can be understood using models in which investors are not fully rational, either because of preferences or because of mistaken

[1] Heuristics is a rule of thumb, simplification, or educated guess that reduces or limits the search for solutions in domains that are difficult and poorly understood.

viewpoint. Behavioural finance focuses on how investors translate and act on information to take investment decisions. It also examines the investor behaviour which leads to various market abnormalities. It is a rapidly growing field which focuses on the effect of psychology on the behaviour of financial practitioners (Merikas et al, 2004; Al-Tamimi, 2006). Diverse studies on investor behaviour (eg. Prowse, 1990; Baker and Haslem, 1974; Venter, 2006; Nagy and Obenberger, 1994) showed that relatively less attention has been given to the individual investor behaviour while extensive level of interest has been given by researchers to the behaviour and portfolio performance of institutional investors in the past. Individual investors participate in the stock market by purchasing and selling different stocks and it is very important to identify various economic and behavioural motivations that affect their purchasing decisions. Thus, it is important to identify the factors which influence the individual stock investor.

The individual investment decision in economic utility theory is viewed as a substitution between instant consumption and delayed consumption. The individual investor assesses the benefits of consuming today against the benefits that would be gained by investing unconsumed available funds in order to obtain greater consumption or elevated wealth in the future. If the individual chooses to delay consumption he will have to select the portfolio that will give him maximum contentment in the long-run. The utility theory put forth by Neumann and Morgenstern (1947) states that investors are completely rational, deal with complex choices, are risk-averse and want to maximise their wealth. According to the utility theory, individual investors select the portfolio that increases their expected utility measured in expected return while the risks or losses decreases. The literature on economic utility theory does not cater to the individual investor's decisions. Instead it focuses on macroeconomic models that explain aggregate market behaviour (Nagy and Obenberger 1994) and, thereby, investors, being in an imperfect world, are bounded by their rationality. That is why Hoffmann et al (2006) made an assertion that investors do not have all relevant information, unlimited cognitive and mathematical capacities but rather with limited knowledge and experience.

An exploratory study of factors influencing investment decisions of potential investors conducted by Philmore and Tracey (2010) found that attitudes, subjective norms, perceived behaviour control, and risk propensity were significant predictors of investment intentions. The findings showed that education in business finance can help to influence the investment decision. It was also found that risk propensity did not moderate the relationship between the variables and the investment intentions.

4.2 EXPERIENCES OF RESPONDENTS

Although investing experience is not the same as investing expertise, research in psychology provides a basis for assuming that more experienced investors develop more expert-like investment processes (Payne et al, 1993). In the context of investing, prior researches suggests that more experienced investors tend to predefine their information needs, focus their searches with better execution level to acquire relevant information, and integrate financial statement information to a greater degree than do less experienced investors (Frederickson and Miller, 2004). Jacoby et al (2001) found that as investors gain experience, they tend to develop ‘financial templates (templates allow experienced investors to self-filter and organise data in ways that facilitate making informed decisions)’ that help them organise information. In their study on the importance of investing experience, Elliot et al (2006) observed that less (more) experienced non-professional investors earn lower (higher) returns as their relative use of unfiltered information increases. Investing experience plays a key role in investors’ ability to use ‘unfiltered financial information’ while investors with little investing experience are likely to become overwhelmed when analyzing unfiltered financial information to the point that it negatively affects their portfolio returns. ‘Unfiltered information’ is defined by Elliot el al (2006) as information disclosed by management and unaltered by professional intermediaries while ‘filtered information’ is information packaged by a professional intermediary for consumption by investors. Hodge and Pronk (2006) in another study defined unfiltered information as the raw financial statements provided in quarterly reports and filtered information as management’s interpretation of those financial statements.

4.2.1 Experiences as a victim of financial scam

A true history of fraud would have to start in 300 B.C., when a Greek merchant name Hegestratos took out a large insurance policy known as ‘bottomry’. Basically, the merchant borrows money and agrees to pay it back with interest when the cargo (in this case - corn) is delivered. If the loan is not paid back, the lender can acquire the boat and its cargo. Hegestratos planned to sink his empty boat, keep the loan and sell the corn. It didn't work out as he had planned, and he drowned trying to escape his crew passengers when they caught him in the act. This is the first recorded incident of financial fraud[2].

The Association of Certified Fraud Examiners (ACFE) defined fraud as “the use of one’s occupation for personal enrichment through the deliberate misuse or application of the employing organization’s resources or assets”. Fraud susceptibility is quite prevalent and is not limited to specific demographic or psychographic fragments. The internet era fosters opportunity for potential scamsters as the costs of

[2] The Pioneers of Financial Fraud by Andrew Beattie retrieved from http://www.investopedia.com/articles/financial-theory/09/history-of-fraud.asp accessed on 27.5.2013

entry for fraudulent investment enterprises are significantly lower and, at the same time, the ability to quickly reach millions of potential victims is significantly higher. By overlooking the potential vulnerability of many investment opportunities, investors (particularly those without a reasonable amount of financial knowledge and those with a propensity for taking risks) stand to lose substantial amounts of their money to fraud. A research review conducted by the Financial Fraud Research Center - a collaboration of the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation (FINRA Foundation) and the Stanford Center on Longevity estimated that fraud cost Americans over $50 billion a year.

Canadian Securities Administrators (CSA) Investor Study (2007) found that roughly one-in-twenty Canadians have been victimised by investment fraud. Almost one-in-five know a friend or a family member who has been victimised while four-in-ten have been approached by scamsters with an intention of investment fraud.

Moore and Mills (1990) found that victims of investment fraud who choose to report the crime receive unsatisfactory responses from police or regulatory bodies and, that, resulted in a lowered confidence towards authorities and regulatory bodies. In another study, Gray and Acierno (2002) found that nearly half of the financial fraud victims they surveyed experienced a sleep deficit, 40 per cent of them were continually in a ‘depressed mood’ while another 40 per cent cited fatigue and concentration difficulties. Over one third of the victims mentioned a decreased interest in general activities, especially those connected with social activities.

Table 4.1

Experiences of respondents as a victim of financial scam

		Period	
Instruments	All classes of sample household	**Before 2000**	**After 2000**
Small savings schemes	6.67		9.09
Fixed Bank deposits	2.67		3.64
Life Insurance Schemes	29.33	**55**	18.18
Company Deposits	4 .00	5	5.45
Co-operative society deposits	2.67		3.64
NBFCs	18.67	40	10.91
Kar Khat Bank (*Chiahpuam*)	36.00		49.09
Column total	100	100	100
TOTAL (respondents)	75	20	55

Source : Primary data

Upon being asked about their experience as a victim of a financial fraud/scam, 75 (17.05 per cent) respondents from a total of 440 respondents admitted that they were indeed a victim of financial fraud/scam. From Table 4.1 it is clear that before the year 2000 only 20 of the respondents were a victim of financial fraud/scam. Among the 20 respondents, the components of investment instruments were 55 per cent under life insurance schemes, 5 per cent under company deposits and 40 per cent under NBFC. After the year 2000, the composition of respondents on their experience as a victim of financial fraud were as 9.09 per cent on small savings scheme, 3.64 on fixed deposits, 18.18 on life insurance schemes, 5.45 on company deposits, 3.64 on cooperative society deposits, 10.91 on NBFCs and 49.09 on 'One Week Bank[3]' (*Kar Khat* Bank or '*Chiahpuam Bank*' as called by the locals). Even though the 'One Week Bank' functioned as an NBFC, keeping in mind the enormity of the effect that it had on the investors in Mizoram, it was being asked separately from other NBFCs.

A possible inaccuracy in the study could be that, usually, victims of financial scams/frauds shy away from reporting themselves as a victim of financial fraud. The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation (2013) in their study on financial fraud and fraud susceptibility in the USA found that although 11 per cent of the respondents lost money in a likely fraudulent activity, only 4 per cent of them admitted to being a victim of fraud when asked directly which was an estimated under-reporting rate of over 60 per cent. A small group of respondents who admitted to investing in a fraudulent investment, but did not report the fraud, indicated that reporting would not have made a difference, they did not know where to report it or they were too embarrassed. The CSA Investor Survey (2007) observed that despite the wide spread situation of financial scams, just 17 per cent of those who have been approached with an attempted fraud reported their most recent experience. Even more worrisome, only 22 per cent of one-time fraud victims and 28 per cent of repeat fraud victims reported their most recent fraud experience. Responses suggest that attempted frauds are not reported because they seem too common or it is not clear that they are fraud. Reasons for not reporting actual frauds are more fragmented and include being embarrassed, a waste of time or too much trouble, did not involve much money, lack of proof, or the fraud had already been reported. While people who report attempted fraud tend to be satisfied with the way authorities handled their report, fraud

[3] It was called 'One Week Bank' because the interest was calculated on a weekly basis.

victims were not happy with their treatment, most often citing perceptions of a lack of action from authorities as the reason for their dissatisfaction. If it is the case in this study also, the real situation of investors in Mizoram is still to be unearthed by further research into the victims of financial scams and frauds.

Before the year 2000 AD, LIC (Life Insurance Corporation of India) was the sole life insurance company in Aizawl. With the entry of private insurers, the increasing competition virtually among the insurance agents pushed them into the practice of misspelling. It is evident from the Table 4.1 that the focus of the fraud shifted from insurance related frauds (55 per cent) before 2000 AD to NBFC related frauds (60 per cent - 10.91 per cent from NBFCs plus 49.09 per cent from One Week Bank) after 2000 AD. The *Zozam Weekly* (the largest circulated weekly magazine in Mizoram - 2008) reported that as much as 19 NBFCs (Annexure 4) were operating in Aizawl in 2008 through which a majority of the money circulating in the form of fixed deposits in Mizoram was channelised and distributed among the depositors in the form of a ponzi scheme. In another report in 2010 by *Vanglaini* (the then, largest circulated daily newspaper in Mizoram), 30 NBFCs who were investigated by the Central Investigation Department (CID), Mizoram Branch were mentioned (Annexure 5). Among the 30 NBFCs, 17 were forced to be discontinued by relevant authorities while the rest still continue to exist during that period. Since then, nearly all of the NBFCs mentioned in the *Vanglaini* report have ceased operations in Mizoram while some of them have evolved themselves and continued their operations using different names (eg. K.D. Medicliam was changed to K.D. Infrastructure Pvt. Ltd.). The remaining NBFCs were identified as those financial institutions connected with real estate sector. The high concentration of victims under the *Chiahpuam* Bank i.e. 49.09 per cent of the victims after 2000 AD is not surprising, considering the towering magnitude of the scam in relation to the population of Mizoram. The One Week Bank (*Chiahpuam*) scam, in which ₹184.63 crore was involved is the biggest and most widespread scam in Mizoram. An interesting matter in this One Week Bank (*Chiahpuam*) scam was that more than 90 per cent of the investor who reported themselves to the investigators were women[4]. The irony of this unfortunate event is that the scam happened even when a High Level Financial Committee under the chairmanship of the Chief Secretary was formed to tackle fake financial institutions in the previous year i.e. 2007[5].

Table 4.2

Respondents who were victim of financial scam based on education level

Education level	Victim of scams (actual)	Total respondents (actual)	Per cent of victims from total respondents	Correlation
Upto matriculate	15 (20)	63	3.41	0.60
Higher Secondary	13 (17.33)	85	2.95	
Graduate	27 (36)	167	6.14	
Post Graduate	20 (26.67)	125	4.55	
TOTAL	75	440	17.5	

Source : Primary data

Figures in parenthesis are in percent

[4] As told to the researcher by a leading member of the Special Investigating Team (SIT) constituted by the Government of Mizoram to investigate this One Week Bank Scam.

[5] http://zozamweeklynews.blogspot.in/2010/01/aizawl-ah-bank-lem.htm accessed on 3.5.2013

Table 4.2 shows that 17.5 per cent of the respondents were, at least, once a victim of financial scam. Taking the educational level of these respondents, 20 per cent were matriculates and below, 17.33 per cent studied up to higher secondary level, 36 per cent studied upto graduation level while 26.67 per cent were post-graduates. Comparing the number of respondents who were victims of financial scams with the total respondents, 3.41 per cent were matriculates and below, 2.95 per cent studied up to higher secondary level, 6.14 per cent were graduates and 4.55 per cent were post-graduates. The correlation level of the percentage of the respondents experiencing financial scams with their education level was 0.60, which indicated that there was a considerable positive correlation between the number of financial scam victims and their educational level. This shows that respondents with higher education level were slightly prone to financial scams than those with lower educational qualifications. This finding is somewhat in conjunction with findings of Baker and Faulkner (2003) and Consumer Fraud Research Group (2006) where victims of financial fraud tend to have a relatively higher level of intelligence.

Table 4.3

Victims of financial scam - education level and instruments

Instruments	All classes of sample household	Up to matriculate	Higher Secondary	Graduate	Post Graduate
		Education Level (per cent)			
		Per cent of household – column wise			
Small savings schemes	6.67			3.70	20
Fixed Bank deposits	2.67		15.39		
Life Insurance Schemes	29.33	66.67	15.39	14.82	30
Company Deposits	4.00			3.70	10
Co-operative society deposits	2.67				10
NBFCs	18.67	20	38.46	11.11	15
Kar Khat Bank (Chiahpuam)	36.00	13.33	30.76	66.67	15
Column total	100	100	100	100	100
No. of respondents	75	15	13	27	20

Source : Primary data

From Table 4.3 it is seen that respondents from all the education level were a victim of financial fraud in either life insurance schemes or NBFCs (including One Week Bank) or both. On matriculation and below level of education, two-third of the respondents were a victim of an institution or persons working under a life insurance company. Respondents with higher secondary education were victims in fixed bank deposits (15.39 per cent), life insurance schemes (15.39 per cent), NBFCs (38.46 per cent) and One Week Bank (30.76 per cent). Respondents who were graduates were victims in small savings schemes (3.70 per cent), life insurance schemes (14.82 per cent), company deposits (3.70 per cent), NBFCs (11.11 per cent) and 'One Week Bank' (66.67 per cent).

Chart 4.1

Victims of financial scam - education level and instruments

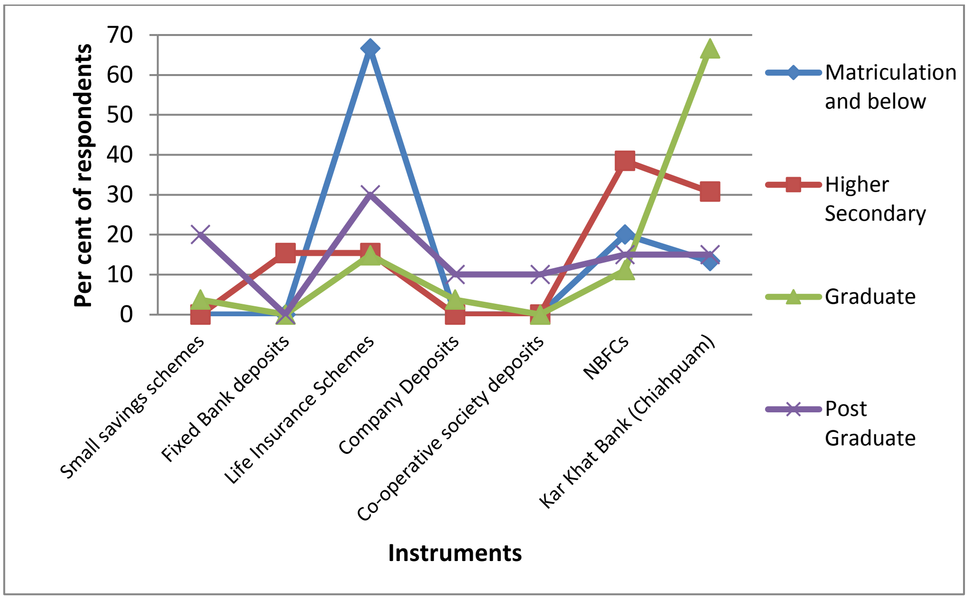


Chart 4.1 shows that high incidences of scams were prevalent in life insurance schemes and NBFCs including *Kar Khat Bank* while the section of respondents from other instruments like small savings schemes, fixed bank deposits, company deposits and cooperative society deposits tend to be below 20 per cent.

4.2.2 Impact of the recent global financial crisis

The Global Financial Crisis of 2008 was considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. This crisis, which began in 2007, when home prices in the United States sky rocketed and finally turned decisively downwards, spread quickly, first to the entire American financial sector and then to financial markets of other countries. This economic downturn affected in the United States, the entire investment banking industry, the biggest insurance company, the two enterprises chartered by the government to facilitate mortgage lending, the largest mortgage lender and two of the largest commercial banks. The impending crisis was not limited to the financial sector, as companies that normally rely on credit suffered heavily. Banks, trusting no one to pay back their loans, simply stopped giving out loans that most businesses need to regulate their cash flows and without which they cannot do business. Share prices plunged throughout the world (the Dow Jones Industrial Average in the U.S. lost 33.8 per cent of its value in 2008 while BSE Sensex lost 37.9 per cent in the same period) and by the end of the year, a deep recession had enveloped most of the globe.

In India, on 20th October, 2008, the then Prime Minister Manmohan Singh, in the Lok Sabha stated that Indian banking system is not directly exposed to the sub-prime mortgage assets and their exposure to other economic crisis affected assets is also minimal. Banks in both the public sector and in the private sector were financially sound, well capitalised and well regulated. In spite of this comment, the Indian government arranged to provide in advance, under the Debt Waiver and Debt Relief Scheme, a sum of ₹25,000 crore to the banking system. The investment limit of Foreign Institutional Investors in corporate bonds was increased from $3 billion to $6 billion. The, then, Prime Minister of India, Dr. Manmohan Singh set up a high-level panel, headed by the Prime Minister himself with members like the chief of India's central Reserve Bank, finance minister and trade & commerce ministers to monitor the impact of the global financial crisis on domestic industry and advised the concerned bodies on steps needed to bolster the Indian industry. Industrial production made a significant drop from 9.2 per cent average growth in the previous four years to a 2.7 per cent growth in 2008. The BSE Sensex, the oldest and most popular stock index in India, lost 37.9 per cent of its value, adversely affecting the ability of businesses in raising money in the capital market which further decreased the wealth of investors.

The Reasearch Unit of the Rajya Sabha Secretariat in its study of *Global Economic Crisis and its Impact in India* (2009) pointed out that “the primary market got derailed and secondary market is in the deep abyss". The study mentioned that "the impact of the crisis has been deeper than anticipated earlier although less severe than in other emerging market economies". *The Report of the Working Group on Savings during the Twelfth Five-Year Plan* (2012) stated that the growth rate of real GDP exceeded 9 per cent during the years 2005-06 to 2007-08. During 2008-09 (the global financial crisis-affected year), the real GDP growth declined to 6.7 per cent, which was impressive by international standards. The real GDP growth rate then recovered rapidly to 8.4 per cent in 2009-10 and 2010-11. The average growth rate during 2002-03 to 2010-11 was around 7.9 per cent. Comparing the domestic savings rate to the international level, India's savings rate declined sharply in the aftermath of the global financial crisis (2008) as in many other countries, but, recovered to a certain extent, in the year 2009. As per the *World Development Indicators 2011*, among the bigger nations, the domestic savings rate of China and Indonesia kept on rising (50.50 per cent in 2007 to 52.1 per cent in 2009 and 29 per cent in 2007 to 33.8 per cent in 2009, respectively) while the other nations, including India decreased to varying proportions. However, the extent of decline in India's domestic savings rate (from 36.9 per cent in 2007 to 33.8 per cent in 2009) was much lower than those in many of the advanced and emerging market economies.

Table 4.4

How has the global financial crisis affected your investment habit?

Level of effect	No. of respondents	Per cent
Very much	9	2.05
Somehow	148	33.64
Not affected	260	59.09
No response	23	5.23
TOTAL	440	100

Source : Primary data

It is seen from Table 4.4 that only 2.05 per cent of the respondents felt that they were very much affected by the global financial crisis in 2008 while 33.64 per cent felt that they were somehow affected and nearly 60 per cent felt that they were not affected. The data implicates that more than half of the investors perceive that the economic downturn has not affected them at all. This may be mainly due to the fact that only a small section of the respondents invested in equity shares, mutual funds and other instruments which are connected with the volatile shares market, which in turn was greatly affected by the world financial crisis. As Chidambaram (2008) pointed out that "While the developed world, including the U.S, the Euro Zone and Japan, have plunged into recession, the Indian economy is being affected by the spill-over effects of the global financial crisis". This statement tried to sum up the effect of the financial crisis in India where high domestic savings rate, conservative investment strategies and a strong regulatory regime have saved Indian economy from following the developed nations into stark financial problems, even though significant sectors of the economy have slowed down. Similarly, Nahmias (2010) observed that "the financial crisis does not seem to have changed much the savings behaviour of French households, who continue primarily to adopt positions of accumulating wealth and to prefer life insurance for their financial investments".

4.2.3 Advice given to potential investors

The SEBI (Investment Advisers) Regulation 2013 defined ‘investment advice’ as “advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning. Provided that investment advice given through newspapers, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations”. According to this act, anyone individual (other than an insurance agent registered under IRDA, a mutual fund distributor registered under SEBI, an advocate who provides legal advices on investments, a pension adviser registered under PFRDA, a chartered accountant, a cost accountant, a company secretary, an actuary, any stock broker, sub-broker or portfolio manager registered under SEBI, a fund manager of a mutual fund, a person providing investment advice to clients exclusively outside India other than Persons of Indian Origin or Non-Resident Indians and any representative/partner of a registered investment adviser) who for consideration is engaged in the business of providing investment advice to any type of client should be registered under SEBI. For such individuals to be registered as investment advisers, they need to have a basic minimum qualification of a professional qualification/post-graduate degree/post-graduate diploma in selected subjects concerned with investments along with a compulsory qualification which is either a National Institute of Securities and Management (NISM) Investment Adviser Certificate or any other certification accredited by NISM.

It is very clear from the above information that any person could not solicit, for a consideration, a particular instrument for sale to any other person unless he has the requisite certification from related bodies unless such advice is given through mass media (electronic or print) to the general public.

Table 4.5

Have you ever helped a potential investor in making an investment decision?

Response	No. of respondents	Per cent
Yes, fully	19	4.32
Yes, partly	158	35.91
No	240	54.55
No response	23	5.23
Total	440	100

Source : Primary data

Table 4.5 shows the level of involvement of the respondents in helping others in making investment decisions. Among the respondents, 4.32 per cent had fully helped, 35.91 per cent had partly helped while 54.55 per cent of the respondents had not yet helped a potential investor in making investment decision. The high incidence of respondents not being able to help potential investors may be in concurrence with the low level of awareness of the respondents on even common investment terms as shown in Table 3.2 in the previous chapter.

The Brondesbury Group (2012) in their *Investor behaviour and beliefs : Advisor relationships and investor decision-making study* found that 5 out of 6 investors in their sample group identified themselves as having an advisor-client relationship with another person/organisation, where the advisor makes recommendations and then the client decides what to do. Two-thirds of investors know little about their advisor when they enter into a contract with their advisor. The most common way in which they got an advisor was when such advisor was assigned by their bank or a financial institution. Some 80 per cent of the investors have bought mutual funds from their advisor and nearly half of them have bought general insurance and stocks. One-third of the investors reported buying life insurance directly from their advisor. When asked what products their advisor can directly sell, the investors were not certain what their advisor could sell directly (what they were licensed to sell) as the study revealed that the instruments bought by them were sometimes quite different from the related licenses/registrations allowed for their respective financial advisors.

On the work of financial advisors, authors such as Bhattacharya et al. (2011) and Kramer (2012) found potential positive effects on such advices given by advisors while research done by Hackethal et al (2011) and Bergstresser et al (2009) indicated that financial advisors do more harm than good.

Hoechle et al (2013) found that older, more wealthy and better educated individuals were more likely to rely on advice. Female clients of advisors were more likely to rely on advice given by the advisors than male clients. Among the advisors - females, younger ones, advisors with children, advisors with fewer clients and higher ranking advisors were more relied upon by their clients than other advisors.

4.2.4 Source of assistance received in investing

A rational investor, in order to invest in an investment instrument, has to have a basic knowledge about the instrument(s) he is about to invest or giving his thoughts on investing on such products. Sometimes, the personal knowledge of an investor might not seem adequate and assistance from others might be needed to make correct or proper decisions. Assistance may come from friends, immediate family members, relatives, websites that render assistance by professionals, softwares designed to track portfolio or retrieve relevant information, peers from workplace and, finally, from investment advisers.

The FINRA Investor Education Foundation and the National Center for Victims of Crime (2013) in their study on victims of financial fraud found that, in general, most perpetrators of financial fraud (other than that of an identity theft) are individuals whom the victims trust. Trust is the medium that financial fraudsters takes the most advantage of and such fraud often proved to be quite devastating to the emotional stability and confidence of the victims. Hence, it is very important for investors in keeping due diligence in asking for help, advice or assistance from even trusted individuals.

Table 4.6

Source of assistance received when investing

Source of assistance	No. of respondents	Per cent*
Investment adviser	68	15.45
Friends	165	37.50
Relatives	62	14.09
Peers	71	16.14
Family	128	29.09
Internet/software	114	25.91
None	84	19.09
No response	26	5.91
Total	718	

Source : Primary data

*Column totals may add to more than 440/100 due to multiple responses given by some of the respondents.

The sources of assistance received by the respondents, as shown in Table 4.6 indicates that 37.50 per cent received assistance from friends, 29.09 per cent from family, 25.91 per cent from the Internet/software, 16.14 per cent from peers, 15.45 per cent from investment advisers, 14.09 per cent from relatives while 19.09 per cent of the respondents received no assistance from any of these sources when they invest. There were 330 respondents who received assistance from any source, 84 respondents did not receive any assistance while 26 respondents made no response to the question.

4.3 PERCEPTION OF INVESTORS

Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli.

Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival (www.psychology.about.com). Perception is the process of selecting, organising, and interpreting data from our senses. This is an inherently subjective process with much potential for error, both in the perception of self and in the perception of others. Our self-concept and self-esteem are protected by the self-serving bias. Our perception of others is biased by the primacy effect, negativity bias, attribution error, and stereotyping. Our perception of self and others is a fundamental starting point of human communication. We reveal who we are to others by self-disclosing. To be a competent communicator, monitor your perceptual biases, avoid snap judgments, recognise cultural differences, manage the impressions you make with others, practice empathy, and check your perceptions of others with them (Rothwell, 2012) The bulk of research in modern economics has been built on the notion that human beings are rational agents who attempt to maximise wealth while minimising risk. They carefully assess the risk and return of all possible investment options to arrive at an investment portfolio that suits their level of risk aversion. From various literatures such as Benos (1998), Daniel et al (1998), Gervais and Odean (2001), Wang (2001), Scheinkman and Xiong (2003) and Peng and Xiong (2006) it is seen that most investors are overconfident. This overconfidence is generally attributed to the "miscalibration" of the precision of information received by investors. Grossman and Stiglitz (1980) in their rational expectations model propounded that some investors choose to acquire costly information and others choose to invest passively. Informed, active, investors earn higher pre-cost returns, but, in equilibrium, all investors have the same expected utility.

4.3.1 How investors perceive of themselves as sensible investors

Sensible investing is all about passive and evidence-based investing, which seek to capture the returns offered by the markets. This is achieved by a pre-determined strategy which focuses on keeping costs low by avoiding unnecessary trading, diversifying across the whole market and a wide set of asset classes, taking the long term view that markets can do better in some years and worse in others, but passive investors understand that markets are efficient and operate on the basis of all known information.

Table 4.7

Up to what extent do you agree with the statement "I consider myself a very sensible investor"

Level of agreement	No. of respondents	Per cent
Agree completely	78	17.73
Agree	153	34.77
Neither agree nor disagree	146	33.18
Disagree	27	6.14
Disagree completely	13	2.95
No response	23	5.23
TOTAL	440	100

Source : Primary data

Upon being asked about their agreement with whether they considered themselves a very sensible investor, the response of the respondents, as shown in Table 4.7, was that 17.73 per cent completely agreed, 34.77 per cent agreed, 33.18 neither agreed nor disagreed, 6.14 per cent disagreed and 2.95 per cent completely disagreed. This shows that half (52.50 per cent) of the respondents agreed that they were sensible investors while one third of the respondents could not make up their mind.

Table 4.8

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"

Age-wise analysis

Level of agreement	All classes of sample household	Age of respondents: Up to 30	31-40	41-50	51-60	61-70	71 and above
		Per cent of household – column wise					
Agree completely	17.73	10.34	17.68	18.44	15.63	50	66.67
Agree	34.77	29.31	38.41	34.75	28.13	50	33.33
Neither agree nor disagree	33.18	34.48	23.17	39.01	51.56	-	-
Disagree	6.14	3.45	12.20	2.13	3.13	-	-
Disagree completely	2.95	5.17	2.44	4.26	0.00	-	-
No response	5.23	17.24	6.10	1.42	1.56	-	-
Column total	100	100	100	100	100	100	100
No. of respondents	440	58	164	141	64	10	3

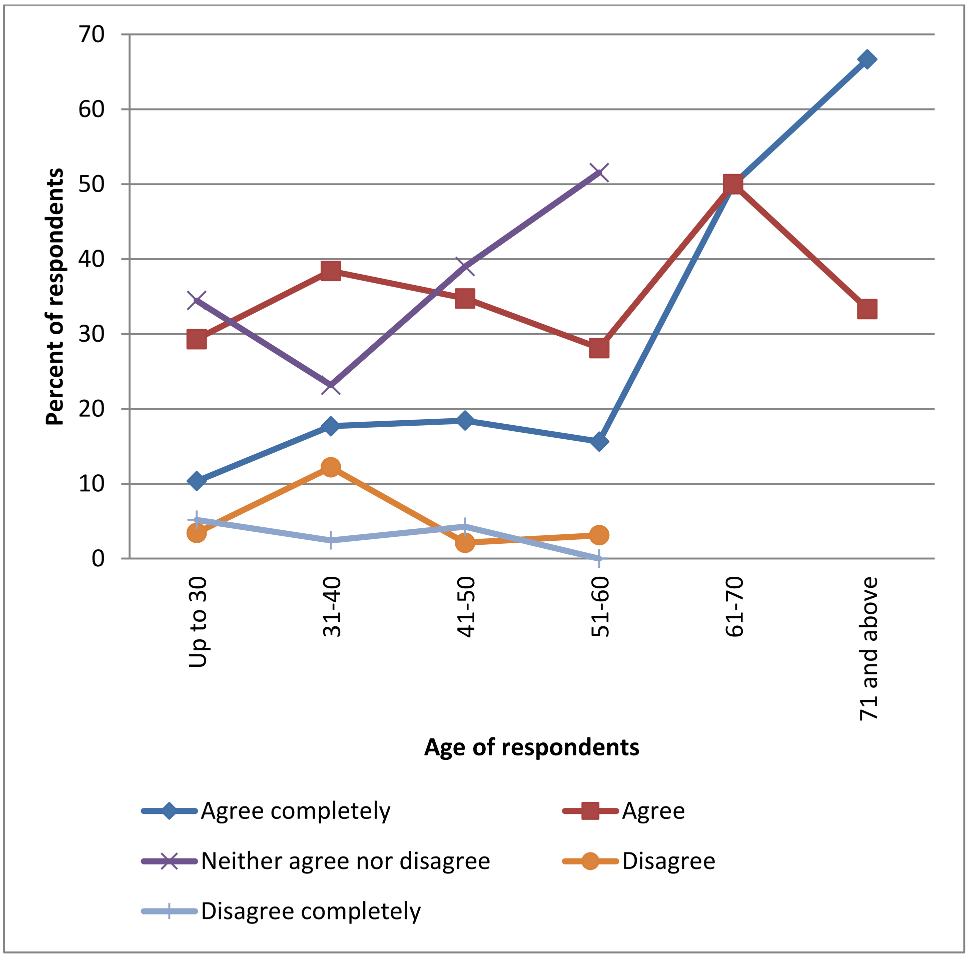
Source : Primary data

Chart 4.2

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"

Age-wise analysis



Source : Primary data

Further analysing in terms of age on the level of agreement of respondents on the issue of calling themselves a sensible investor, Table 4.8 and Chart 4.2 shows that among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were sensible investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and 2.44 per cent completely disagreed that they were sensible investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were sensible investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were sensible investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were sensible investors. Among the respondents from the age of 71 years and above, two third of the respondents agreed completely while one third agreed that they were sensible investors. Table 4.8 shows that the higher age groups generally are more confident by stating that they consider themselves as sensible investors. This finding is more or less similar to the findings made by the Financial Industry Regulatory Authority (2007), a not-for-profit organisation in the USA, on investment attitudes and behaviour of investors in which older (55 years and older) investors were more confident than younger investors (25 to 54 years) towards the information that they received. In another study made by FINRA (2006) on senior investors (from 60 years of age and above), 92 per cent of respondents described themselves as “somewhat confident” or “very confident” about managing their finances and 68 per cent reported a recent increase in confidence in the past three years. Such confidence transforms into a feeling of being sensible in investment decisions and, thus, the FINRA study on senior investors is somewhat similar to that of my finding where 100 per cent of the respondents who were above 60 years agreed that they were sensible investors.

Table 4.9

Up to what extent do you agree with the statement "I consider myself a very sensible investor"?

Income-classwise analysis

Level of agreement	All classes of sample household	**Household income class (per cent)**									
		Up to 10,000	10,001 to 15,000	15,001 to 20,000	20,001 to 25,000	25,001 to 30,000	30,001 to 35,000	35,001 to 40,000	40,001 to 45,000	45,001 to 50,000	50,001 and above
		Per cent of household – column wise									
Agree completely	17.73	6.67	8.70	10.26	20.00	31.82	32.43	7.84	29.03	9.38	11.63
Agree	34.77	66.67	39.13	20.51	26.67	43.94	18.92	60.78	32.26	25.00	29.07
Neither agree nor disagree	33.18	6.67	8.70	25.64	46.67	19.70	43.24	19.61	38.71	59.38	40.70
Disagree	6.14	20.00	13.04	17.95	-	-	-	3.92	-	6.25	11.63
Disagree completely	2.95	-	17.39	-	-	4.55	5.41	-	-	-	4.65
No response	5.23	-	13.04	25.64	6.67	-	-	7.84	-	-	2.33
Column total	100	100	100	100	100	100	100	100	100	100	100
No. of respondents	440	15	23	39	60	66	37	51	31	32	86

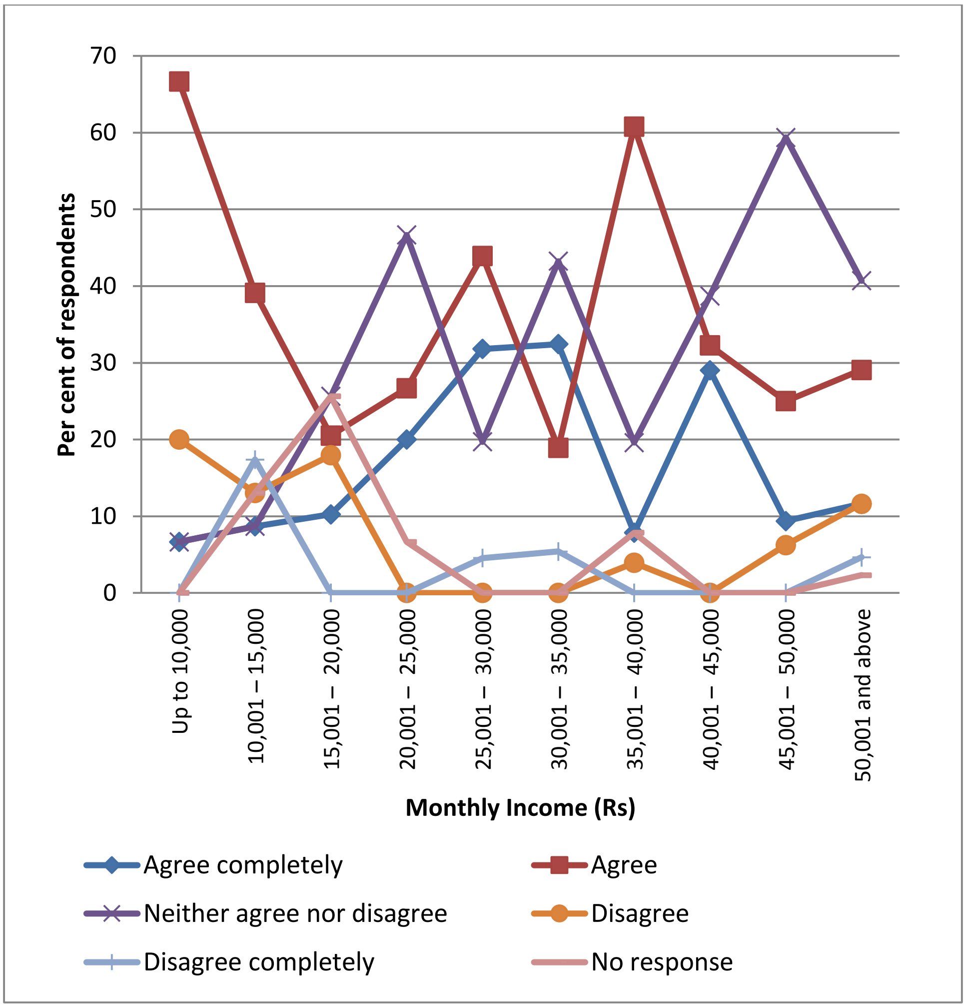
Source : Primary data

Chart 4.3

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"?

Income-classwise analysis



Source : Primary data

The income-wise analysis of the response from the respondents on the question of whether they consider themselves as a sensible investor is shown in Table 4.9. The higher income groups from monthly income of ₹40,001 onwards could neither agree nor disagree with the statement. From Chart 4.3 it can be inferred that respondents with an income of ₹10,000 and below and ₹35,001-40,000 were more confident than the other income groups. It can further be seen that the path made by the respondents agreeing to the statement hovers above that of those respondents not agreeing with the statement. Among all the income groups, a majority of them either agreed that they were sensible investors or they were neutral towards the statement that they were a sensible investor. Hira et al (2007) in their study on investment attitudes and behaviour of high income Americans found that women, even though with high income, were not as confident as their male counterparts. These women would rather make investment decision with their partners while their male counterparts were more likely to make such decisions by themselves. They further stated that men with higher income claim to be more confident and knowledgeable while they worry more often about their investment than others. In a study on the confidence of investors Tappan (2013) found that households with greater disposable income are more confident in the economic climate. He concluded that as household investors are the largest investor segment of the stock market, how and when they influence each other is vital to the economy.

4.3.2 How investors perceive themselves as experienced investors

Gervais and Odean (2001) predict that after an initial period overconfidence should decrease with experience. However, several studies (Heath and Tversky, 1991; Frascara, 1999) in the psychological literature show that experts are more likely to be overconfident than relatively inexperienced subjects. Feng and Seasholes (2005) in their study found that experience and age may have contrary effects on behaviour although they are usually correlated. In another study on experience of investors and its effects, Lukas et al (2010) found that the relation of experience to overconfidence is contrary to the relation of age. They further stated that experience has an influence on overconfidence but the relation between experience and overconfidence among financial professionals was minute and therefore, negligible which was in contrast with the finding made by Glaser et al (2007).

Table 4.10
Upto what extent do you agree with the statement
"I consider myself an experienced investor"

Level of agreement	No. of respondents	Per cent
Agree completely	3	0.68
Agree	60	13.64
Neither agree nor disagree	174	39.55
Disagree	163	37.05
Disagree completely	17	3.86
No response	23	5.23
TOTAL	440	100

Source : Primary data

Table 4.10 shows that 14.32 per cent of the respondents considered themselves to be experienced investor, 40.91 per cent did not consider themselves as experienced investors while 39.55 per cent could not make out whether they were experienced or an inexperienced investors. It is seen here that only a small segment of the respondents consider themselves to be experienced in investing their money, it may be inferred that even though half of the respondents considered themselves as sensible investors, their self consciousness on the experience level in the field of investment was rather low.

Table 4.11

Upto what extent do you agree with the statement

"I consider myself an experienced investor"

Age-classwise

Level of agreement	All classes of sample household	Age of respondents: Up to 30	31-40	41-50	51-60	61-70	71 and above
		Per cent of household – column wise					
Agree completely	0.68	-	-	2.13	-	-	-
Agree	13.64	10.34	18.90	7.09	12.50	50.00	-
Neither agree nor disagree	39.55	27.59	37.80	42.55	56.25	-	-
Disagree	37.05	39.66	35.98	39.72	26.56	50.00	100.00
Disagree completely	3.86	5.17	2.44	7.09	-	-	-
No response	5.23	17.24	4.88	1.42	4.69	-	-
Column total	100	100	100	100	100	100	100
No. of respondents	440	58	164	141	64	10	3

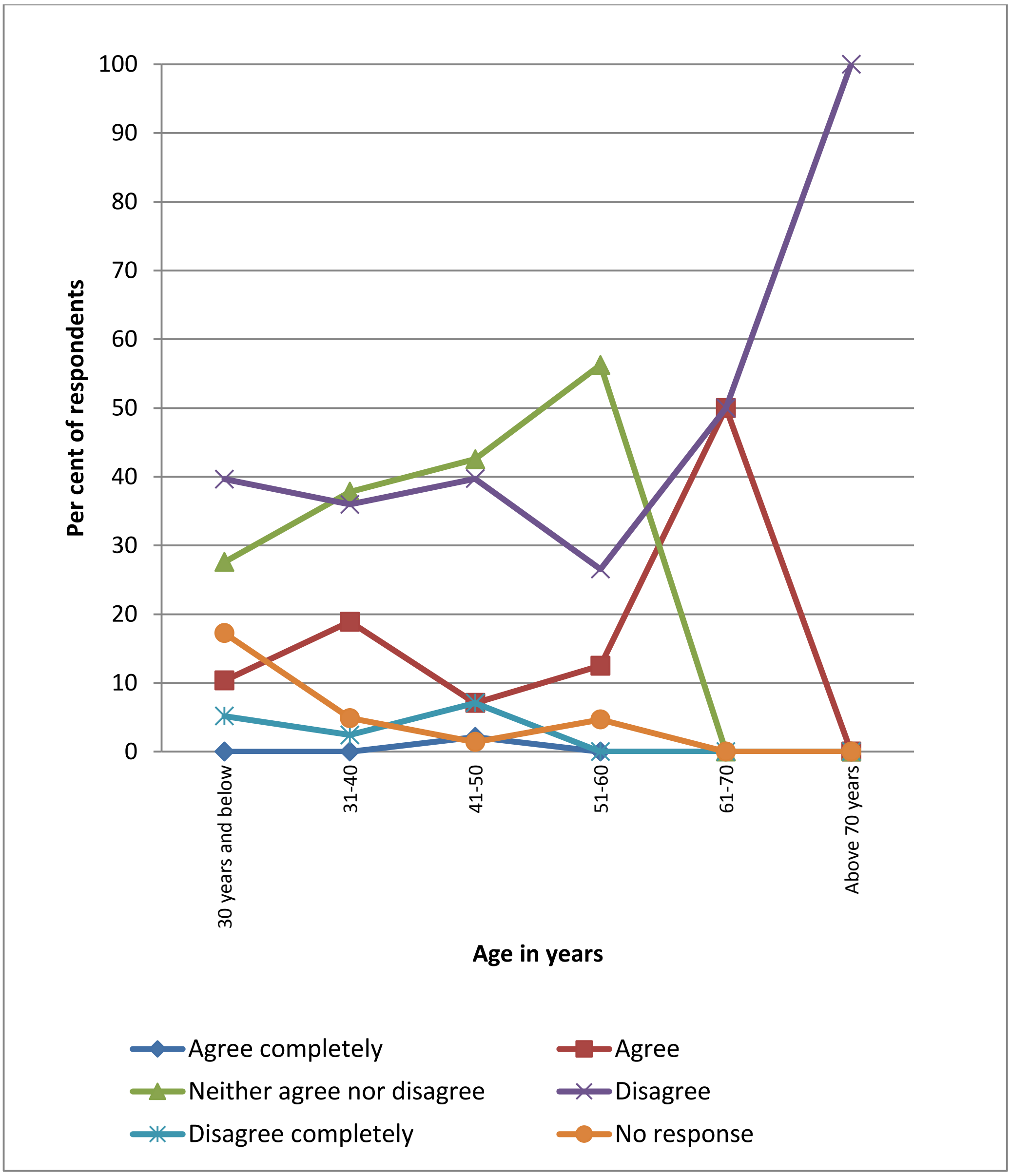
Source : Primary data

Chart 4.4

Upto what extent do you agree with the statement

"I consider myself an experienced investor"

Age-classwise



Source : Primary data

Table 4.11 and Chart 4.4 show that among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were experienced investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and 2.44 per cent completely disagreed that they were experienced investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were experienced investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were experienced investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were experienced investors.

Table 4.12

Upto what extent do you agree with the statement "I consider myself an experienced investor"

Income-classwise analysis

Level of agreement	All classes of sample household	Household income class (per cent)									
		Up to 10,000	10,001 to 15,000	15,001 to 20,000	20,001 to 25,000	25,001 to 30,000	30,001 to 35,000	35,001 to 40,000	40,001 to 45,000	45,001 to 50,000	50,001 and above
		Per cent of household – column wise									
Agree completely	0.68	-	-	-	-	-	8.11	-	-	-	-
Agree	13.64	13.33	13.04	10.26	18.33	1.52	-	29.41	3.23	9.38	23.26
Neither agree nor disagree	39.55	60.00	4.35	30.77	46.67	28.79	56.76	27.45	51.61	59.38	40.70
Disagree	37.05	26.67	56.52	33.33	23.33	62.12	32.43	37.25	45.16	25.00	29.07
Disagree completely	3.86	-	13.04	-	3.33	7.58	-	5.88	-	-	4.65
No response	5.23	-	13.04	25.64	6.67	-	-	7.84	-	-	2.33
Column total	100	100	100	100	100	100	100	100	100	100	100
No. of respondents	440	15	21	29	52	66	34	48	31	30	84

Source: Primary data

Chart 4.5

Upto what extent do you agree with the statement

"I consider myself an experienced investor"

Income-classwise analysis

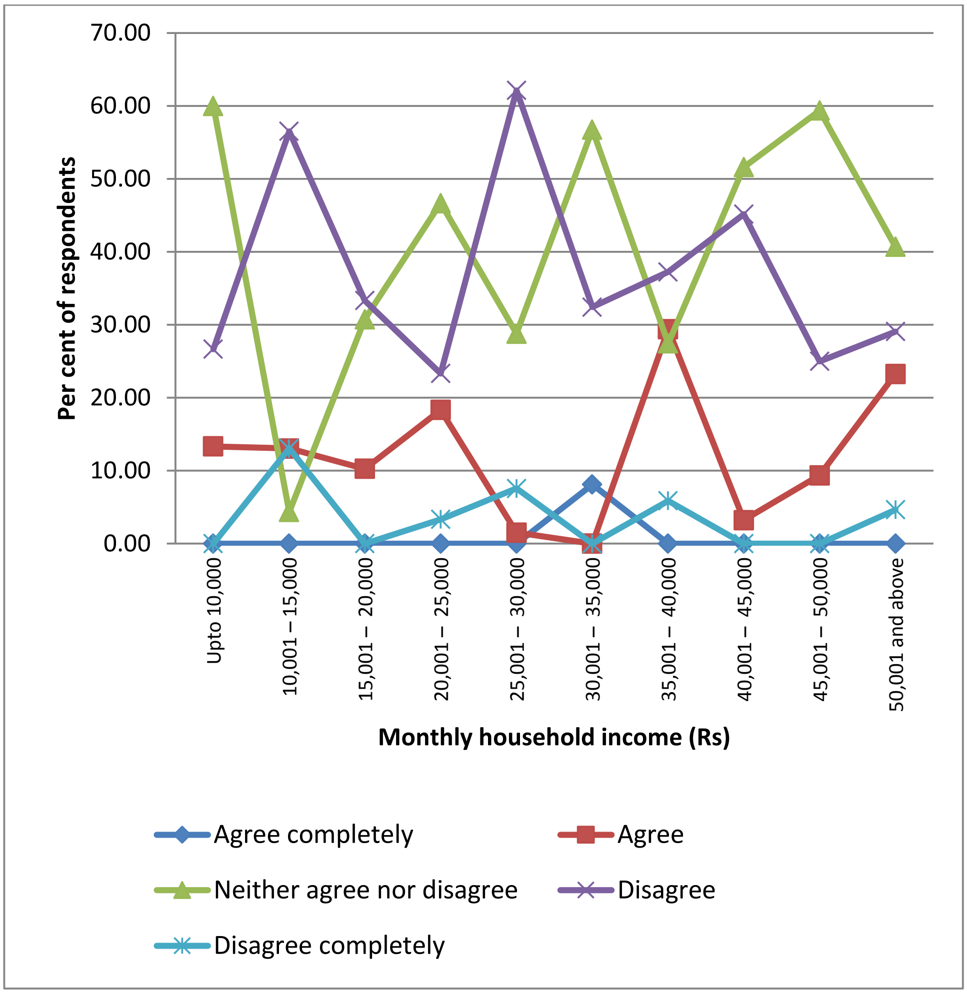


Table 4.12 shows that from all the income groups, the majority of the respondents either have no opinion or disagreed with the statement that they were experienced investors. Except for respondents from the income group of ₹35,001-40,000 where 29.41 per cent agreed that they were indeed experienced investors, respondents who agreed that they were experienced constituted less than 20 per cent of the respondents on all the other income groups. From Chart 4.5 it is perceptible that the number of respondents who had no opinion or disagreed with the statement comprised the major portion of the respondents.

Table 4.13

Perceptions and extent of agreement on different statements

Statements	Strongly Disagree	Disagree	Agree nor disagree	Agree	Strongly Agree	No response	Total
	Level of agreement with statements						
	No. of respondents (per cent) : row-wise						
1. It bothers me deeply if the instruments I invested on fluctuate in the market.	7 (1.59)	69 (15.68)	191 (43.41)	75 (17.05)	71 (16.14)	27 (6.14)	440 (100)
2. Risk is the major deciding factor when I invest	17 (3.86)	81 (18.41)	151 (34.32)	111 (25.23)	53 (12.05)	27 (6.14)	440 (100)
3. Inflation increases the level of risk in investment	3 (0.68)	47 (10.68)	210 (47.73)	104 (23.64)	49 (11.14)	27 (6.14)	440 (100)
4. Low risk investments with stable returns are more attractive to me than instruments with high risk but potentially high returns.	12 (2.73)	53 (12.05)	122 (27.73)	159 (36.14)	67 (15.23)	27 (6.14)	440 (100)
5. I agree that high returns is always connected with high risks	13 (2.95)	28 (6.36)	130 (29.55)	180 (40.91)	62 (14.09)	27 (6.14)	440 (100)
6. I usually invest without making a study/research on the instrument in which i am about to invest and greatly depend on advice of others.	15 (3.41)	154 (35.00)	116 (26.36)	105 (23.86)	23 (5.23)	27 (6.14)	440 (100)
7. The state government should take more active role in educating household investors	4 (0.91)	24 (5.45)	68 (15.45)	257 (58.41)	60 (13.64)	27 (6.14)	440 (100)

Source : Primary data

4.3.3 Perceptions and extent of agreement on different statements

Table 4.13 shows the level of agreement on various statements relating to household investment. From Table 4.13 it could be pointed out that:

1. Nearly one fifth of the respondents disagrees that it bothers them to see the value of financial products that they are investing fluctuates in the financial market. Nearly half of them could not make a definite answer while a fourth of the respondents agreed that they were indeed worried about their investments. This could imply that either one fourth of the respondents were aware of their investment and kept track of their investment while the rest does not bother to monitor their investment at all or the investors were not worried in anticipation of better and rising market conditions in the future.
2. Around 40 per cent of the respondents agreed that they give utmost importance to the level of risk involved in the financial instruments when they invest. A third of the respondents could not give a definite answer on the statement while around a fifth of the respondents did not consider risk as the major deciding factor when they invest.
3. It is universally accepted that the risks of the value of financial instrument declining is part due to the occurrence of inflation in the economy. One tenth of the respondents do not agree that inflation increases the risk level of investments while a third of the respondents agreed that it is so. Around half of the respondents do not have a clear opinion on the statement. This may indicate more half of the respondents know little of the concept of inflation and its connection with investment risk.
4. A little more than half of the respondents agreed that they find low risk investments with stable returns more attractive than instruments with high risk

but potentially high returns. This explains the high preference of respondents in the previous chapter where they chose traditional instruments which have relatively lower but stable returns on their portfolio basket. 14.78 per cent of the respondents still prefer to invest in instruments with high risk but potentially high returns. A little more than one fourth of the respondents were indifferent towards the statement.

5. It is seen in various financial scams in the nature of ponzi schemes that people are attracted towards high returns. Such people usually are either ignorant of the connection of high returns with high risk or they chose to pay no heed to the fact that high returns are by and large connected with high risk. Nearly a third of the respondents could not give a definite response while more than half of them do agree that high returns are usually connected with high risk. Some 10 per cent of the respondents still feel that high returns are not connected with high risks.

6. It is sometimes found that investing without making any study on the financial instrument do wield fine returns on investment. But it is not the best way of investing as the probability of losing money invested is very high. In order to minimise the probability of losing money, it is always advised to do a bit of a research on financial instruments before and after investing. In Table 4.13 it is found that more than a third of the respondents do make a study/research on financial instruments that they are about to invest and do not rely much on the advice of others. Around 30 per cent, on the other hand, did not do the ground work but rely on the advice of others like friends, peers, relatives, etc and 26.36 per cent could not give a definitive answer to the statement.

7. On the matter of the state government taking more active role in educating household investors, nearly three fourth of the respondents agreed that the state government does indeed needed to take responsibility and device programmes in disseminating financial literacy to the people of Mizoram. Only 6 per cent feel that the state government need not involve itself in such matters while 15.45 per cent were indifferent towards the statement. Evidences from financial frauds, awareness level of investors and habits of the investors in this study, it implies that action from the part of the state government is virtually non-existent as programmes on financial literacy for the general population initiated by the state government is yet to be seen.

4.4 INVESTMENT MOTIVES OF INVESTORS

Various environmental factors acting upon an individual affects the outcome of his mind, which we called action. This nature and intensity of this action is in turn, affected by the level of motivation which the individual possesses. Merriam-webster dictionary defines motive as something (as a need or desire) that causes a person to act. Motivation, one of the most important factors in affecting human attitudes and behaviours, directly affects the level of performance of an individual or a group. It involves a series of modifying and directing human behaviours into desired patterns of work (Griffin, 2013). From the very fundamental point of view, a motivated individual is simply incited to do something (Ryan et al, 2009). There are primary and secondary objectives in investment: safety, income and growth of capital being the primary objectives while tax minimisation and marketability/liquidity are secondary objectives. The advantages of one often comes at the expense of the benefits of another. If an investor desires growth, for instance, he or she must often sacrifice some income and safety. Therefore, most portfolios will be guided by one pre-eminent objective, with all other potential objectives occupying less significant weight in the overall scheme.

According to the information given by the Ministry of Company Affairs, Government of India in its *Investor Education and Protection Fund* booklet, there are primarily three investment objectives: safety, returns and liquidity. In ideal scenario, this means that one would like the investment to be absolutely safe, while it generates handsome returns and also provides high liquidity. However, it is very difficult to maximise all three objectives simultaneously since one objective trades off against another objective.

4.4.1 **Motives for selecting new financial instrument**

Mouli (2007) found that among the investors in north coastal parts of Andhra Pradesh (India), safety was the most preferred investment objective followed by income, liquidity and marketability, tax benefits, capital appreciation and diversification, respectively. The first preference of respondents in this study is same as that of the finding made by Mouli. Lee et al (2010) found that investors with various asset levels show significantly different preferences to market selection. They suggested that investors would prefer to make investment among the companies with high credibility, larger in size, high cash/stock dividends and high stock price (3H stocks) or high risk with high return. On the other hand, the investor background variables made no significant difference in investment behaviours, which suggests that strategy selection is less of a consideration for the investors.

Table 4.14

Ranking of investment objectives for selecting new instruments

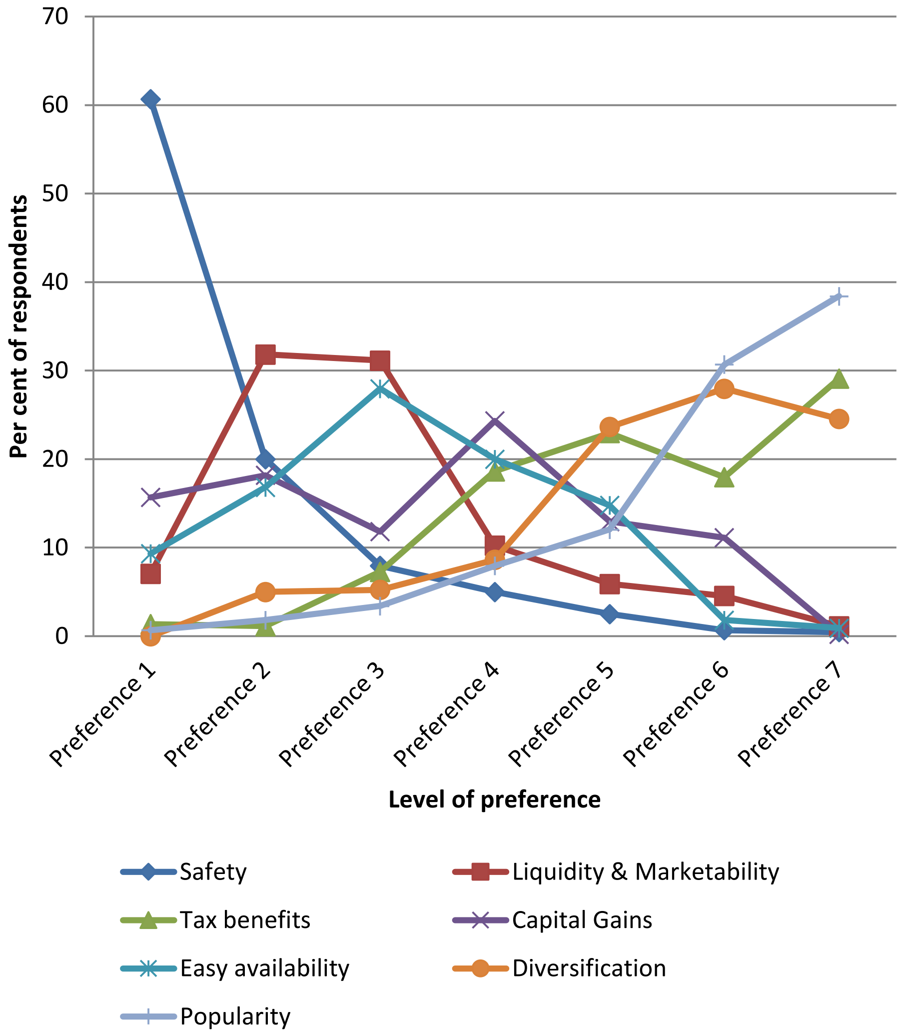
Factors	1 No. of respondents	1 Per cent	2 No. of respondents	2 Per cent	3 No. of respondents	3 Per cent	4 No. of respondents	4 Per cent	5 No. of respondents	5 Per cent	6 No. of respondents	6 Per cent	7 No. of respondents	7 Per cent	Weighted Score	Mean Score
Safety	267	60.68	88	20.00	35	7.95	22	5.00	11	2.50	3	0.68	2	0.45	2701	6.31
Liquidity & marketability	31	7.05	140	31.82	137	31.14	45	10.23	26	5.91	20	4.55	5	1.14	2045	5.06
Tax benefits	6	1.36	5	1.14	32	7.27	82	18.64	101	22.95	79	17.95	128	29.09	1149	2.65
Capital gains	69	15.68	80	18.18	52	11.82	107	24.32	57	12.95	49	11.14	1	0.23	1921	4.63
Easy availability	41	9.32	74	16.82	123	27.95	88	20.00	65	14.77	8	1.82	4	0.91	1913	4.75
Diversification	0	-	22	5.00	23	5.23	38	8.64	104	23.64	123	27.95	108	24.55	1065	2.55
Popularity	3	0.68	8	1.82	15	3.41	35	7.95	53	12.05	135	30.68	169	38.41	882	2.11
No response	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23		
TOTAL	440	100	440	100	440	100	440	100	440	100	440	100	440	100		

Level of preference (1 highest and 7 lowest)

Source : Primary data

Chart 4.6

Ranking of investment objectives for selecting new instruments



Source : Primary data

Looking at Table 4.14 and Chart 4.6, it is seen that the most preferred investing motive was safety (with weighted score of 2710), followed by liquidity and marketability, capital gains, easy availability, tax benefits and so on. Taking their most preferred motive for selecting instruments for investment, 60.68 per cent of the respondents chose the safety of their money as their most important motive for investing, 15.68 per cent preferred capital gains, 9.32 per cent preferred easy availability while 7.05 per cent preferred liquidity and marketability. Among the factors affecting investment decision, popularity of instrument, diversification of portfolio and tax benefits were least preferred. It is clear from Chart 4.6 that safety of the investment was the clear choice (60.68 per cent) as the most preferred investment objective since a large gap (45 percentage points) is seen in between safety and its nearest choice (capital gains, 15.68 per cent).

4.4.2 Motives for saving money

There could be many motives/reasons for saving money as individual preferences differ and the environment of the investors differs for all investors. Social considerations, tax benefits, and provision for old age were the main reasons mentioned for saving in urban areas, whereas to provide for old age was the main reason in rural areas (Gavini and Athma, 1999). Maslow (1954) proposed, in his theory of human motivation, a hierarchy of five levels of needs and this hierarchical structure is determined by the gratification of such needs. Higher levels of needs do not dominate until the lower levels of needs are, to a certain extent, satisfied. Financial needs are one facet of human needs and can be revealed by saving motives and, hence, saving motives demonstrate a similar hierarchical structure as human needs, implying that the movement of household saving motives along the hierarchy is influenced by family financial resources (Xiao and Fan, 2002). Households' perception of saving motives, thus, is affected by the financial resources and their perceived utility received expected to receive from satisfying financial needs. Therefore, unsatisfied needs motivate households to mobilise financial resources such as savings to satisfy such needs. Many studies (e.g. Alessie et al., 1997; Fan et al., 1998; Harris et al., 2002, Xiao & Fan, 2002) suggests that household saving motives vary from country to country, which imply that differences in economic conditions and differences in cultures greatly affect saving motives of household investors.

Female household heads are more apt to save for their daily expenses while male household heads are more likely to save for their retirement, children, and capital growth (Xiao & Noring, 1994). On the effect of education on investors, Xiao and Fan (2002) found that among the American workers, investors who did not finish high school education save much lesser for their retirement than those with a college education. Also, individuals with higher educational levels were more likely to save for children's college than those with lower educational qualifications.

Using the *Survey of Consumer Finances* (1998-2007) in USA, Bucks et al (2009) revealed that the two most frequently reported saving motives were - saving for retirement and precautionary saving motives. The third most reported motive in all survey years, except in 2007 (when the frequency of the motive to save for purchasing household items exceeded that of the motive to save for education), was saving for education. Further, in Samuel et al (2012) it is seen that among the investors in Ghana, individuals save for various reasons with the most three important reasons being business (investment), old age and for peace of mind while they do not save for reasons such as leisure, children's marriage, own marriage and purchase of durable goods.

Table 4.15

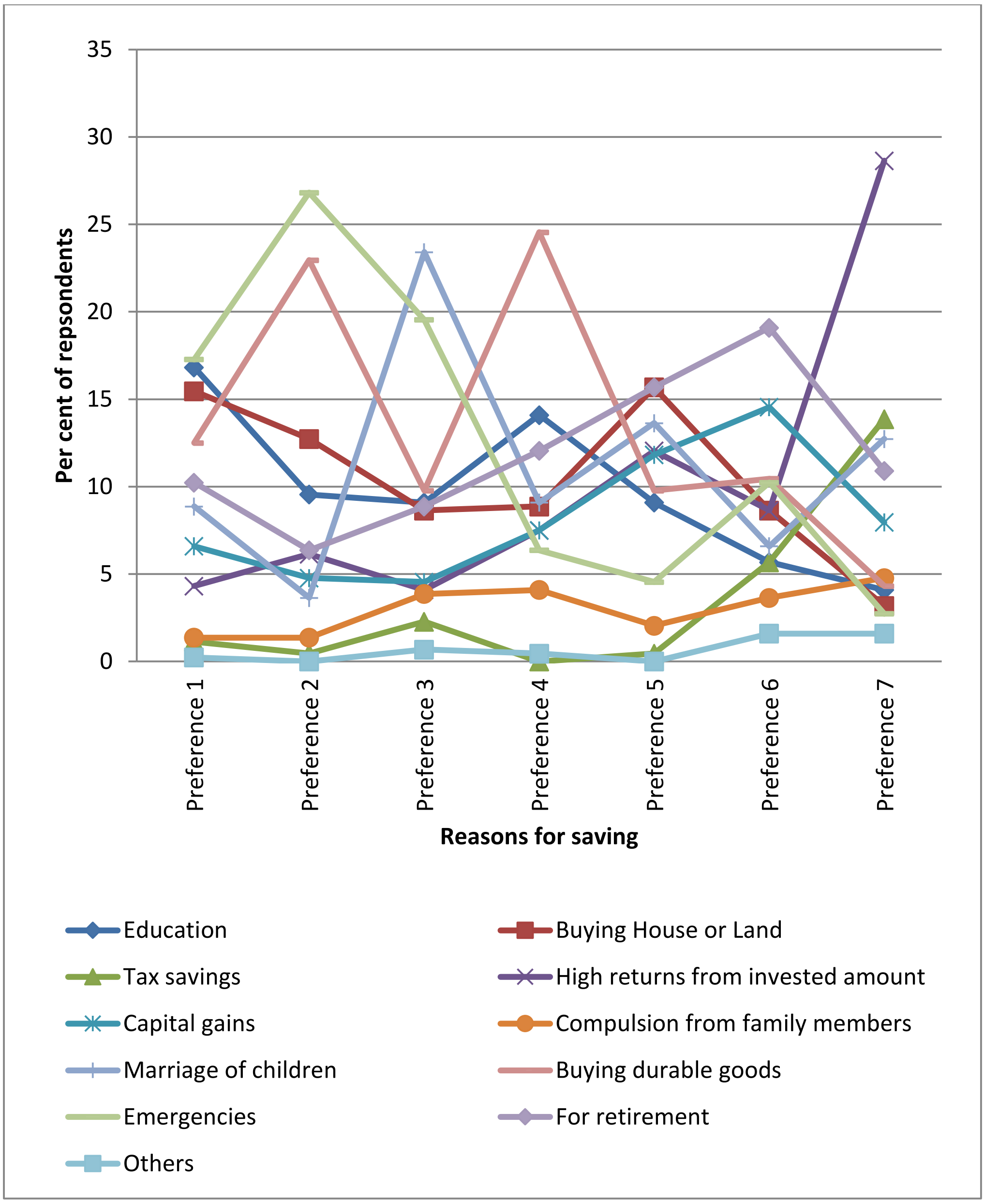
Ranking of respondents' motives for saving money

Motives	Level of preference (1 highest and 7 lowest)														Weighted Score	Mean Score
	1		2		3		4		5		6		7			
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent		
Emergencies	76	17.27	118	26.82	86	19.55	28	6.36	20	4.55	45	10.23	12	2.73	1944	5.05
Buying durable goods	55	12.50	101	22.95	43	9.77	108	24.55	43	9.77	46	10.45	19	4.32	1878	4.53
Buying House or Land	68	15.45	56	12.73	38	8.64	39	8.86	69	15.68	38	8.64	14	3.18	1455	4.52
Education	74	16.82	42	9.55	40	9.09	62	14.09	40	9.09	25	5.68	18	4.09	1406	4.67
Marriage of children	39	8.86	16	3.64	103	23.41	40	9.09	60	13.64	29	6.59	56	12.73	1338	3.90
For retirement	45	10.23	28	6.36	39	8.86	53	12.05	69	15.68	84	19.09	48	10.91	1313	3.59
Capital gains	29	6.59	21	4.77	20	4.55	33	7.50	52	11.82	64	14.55	35	7.95	880	3.46
High returns	19	4.32	27	6.14	18	4.09	33	7.50	53	12.05	38	8.64	126	28.64	878	2.80
Compulsion from family members	6	1.36	6	1.36	17	3.86	18	4.09	9	2.05	16	3.64	21	4.77	315	3.39
Tax savings	5	1.14	2	0.45	10	2.27	0	-	2	0.45	25	5.68	61	13.86	214	2.04
Others	1	0.23	0	-	3	0.68	2	0.45	0	-	7	1.59	7	1.59	51	2.55
No response	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	644	4.00
Total	440	100	440	100	440	100	439	100	440	100	440	100	440	100		

Source : Primary data

Chart 4.7

Ranking of respondents' motives for saving money



Source : Primary data

It is in this context that it is attempted to know the household investors' motives for saving money in the present study. It observed from the weighted score column of Table 4.15 that the respondents' most important motives for saving their money is to meet 'emergency expenses' (1,944), followed by 'buying durable goods' (1,878) and 'to buy house or land' (1,455). The respondents' first choice for saving money i.e. for emergencies is the same as that of the result found by Shukla (2010). The weighted score was calculated by assigning 7 points to first choice, 6 points to second choice, 5 points to third choice and so on. The least preferred motive for saving money was other motives (stated by the respondents) like for travelling outside the country, saving for charity/pilgrimage and non-inclination towards investments. Among the most preferred choice for saving money, 17.27 per cent of the respondents chose ‘emergency expenses’, 16.82 per cent chose ‘education’, 15.45 per cent chose ‘buying house or land’, 12.50 per cent chose ‘buying durable goods’, 10.23 per cent chose ‘retirement’, 6.59 per cent chose ‘growth of capital’, 8.86 per cent chose ‘marriage of children’ and 4.32 per cent chose ‘high return’.

From Chart 4.7, it is seen that the preference of the respondents for saving for emergencies, buying durable goods, marriage of children, education and high returns fluctuates much more than the others. The preference of the respondents for saving money for tax savings, compulsion from family members and ‘other motives’ remained more or less at the lower level throughout the preference levels.

Shukla (2010) noted that among urban Indians, 86.60 per cent saves for emergencies, 85.30 per cent saves for education of children, 73.90 per cent saves for old age, 60.10 per cent saves for social ceremonies, 51.50 per cent saves to buy or build house, 54.40 per cent saves to improve or enlarge business, 28.50 per cent saves to buy large consumer goods and 20.40 per cent saves for gifts/donation or pilgrimages. Further, among the urban Indians, savings is kept in the form of post office deposits by only 4.2 per cent, in the form of bank savings deposit by 62.60 per cent, in the form of cash at home by 23.40 per cent while 9.70 per cent Indians kept their savings in places other than those mentioned above.

Singh (2013) in his study of savings behaviour in Manipur found that 49.4 per cent saved money using formal means because they have financial 'branches in the locality' while 17.30 per cent saved due to high rate of interest, 11.10 per cent saved due to 'availability of various schemes of savings' and 22.20 per cent saved their money because they believed that the financial institutions offering saving deposits were 'reliable and secure'.

4.4.3 Motives for investing in company securities

The United States Securities Exchange Act of 1934 defines a security as: "Any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral trust certificate, pre-organisation certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, any put, call, straddle, option, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited".

In India, the Securities Contracts (Regulation) Act, 1956 defines security as - shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; derivative; units or any other instrument issued by any collective investment scheme to the investors in such schemes; Security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; units or any other such instrument issued to the investors under any mutual fund scheme.(Securities shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938); any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be; government securities; such other instruments as may be declared by the Central Government to be securities, and; rights or interest in securities.

In the context for this study, investment activities on only traditional securities issued by companies viz, equity shares, preference shares and debentures/bonds are covered.

The motives for investing in company securities such as equity shares, preference shares and company deposits/debentures are shown in Table 4.15. Since, the question itself implies answer from those respondents who invests only on company securities, only 44 household heads responded to this query. The motives mentioned in Table 4.15 from the most preferred motive taken from the weighted scores were - confidence in the ability of company's management (76), better return from past performance (63), involvement of small funds (37), more resources of fund to invest (36), easy access to proper information and advice (30), easy access and availability of instruments in Aizawl (13) and other motives viz, investment agent's advice, tips from trusted investment web-site and inquisitive nature/curiousness for experiencing the market (9). Among the most preferred motives for investing in company securities, confidence in the ability of company's management was the most preferred with 43.18 per cent of the respondents selecting it from the options; better return from past performance was selected by 38.6 per cent of the respondents among the second most preferred motives while easy access to proper information and advice was preferred by 40.91 per cent of the respondents among the third most preferred motives for investing in company securities.

Table 4.16

Ranking of respondents' motives for investing in company securities

Motivating Factors	Level of motivation (1 - highest; 3 - lowest): 1		2		3		Weighted score	Mean score
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent		
It yields better return	9	20.45	17	38.64	2	4.55	63	2.25
Easy access and availability of instruments in Aizawl	1	2.27	3	6.82	4	9.09	13	1.63
I have more funds to invest	4	9.09	9	20.45	6	13.64	36	1.89
Easy to get proper information and advice	2	4.55	3	6.82	18	40.91	30	1.30
Confidence in the ability of company's management	19	43.18	7	15.91	5	11.36	76	2.45
It involves small amount of funds	8	18.18	5	11.36	3	6.82	37	2.31
Other motives*	1	2.27	0		6	13.64	9	1.29
Column total	44	100	44	100	44	100		

Source: Primary data

*Other motives include investment agent's advice, investment website and inquisitive nature of respondent.

The *Indian Household Investors Survey* (2004) found that among the household investors, 81.74 per cent of them invested in equity shares, which is quite in contrast to the data found in Table 4.15 where only 10 per cent of the respondents invested in any kind of company securities, let alone taking equity shares aside.

Motwani (2013) in his study on infrequent small investors found that "such infrequent small investors do consider the fundamental determinants of a company (financial performance and policy, quality of management, governance, ethical practices, etc) before investments but their considerations are limited to easily understandable financial performance variables, generally needed and available information regarding company operations, fundamental reputation of company management and mere existence of corporate governance practices in the company".

Bennet et al (2011), in their study on retail investors in Tamil Nadu, reveal that majority of the sample retail investors took into consideration all the predetermined factors pointed out by the researchers before selecting the stocks to invest. Among the factors, 'return on equity', 'quality of management', 'return on investment', 'price to earnings ratio' and 'various ratios of the company' were the top five factors which influenced the investors in that order. Further, 'recommendation by analyst', 'broker and research report', 'recommended by friends, family and peers', 'geographical location of the company' and 'social responsibility of the company' have low influence on the stock selection decision by the retail investors in that order.

Table 4.17

Respondents' ranking of motives for not investing in company securities

Motives	Level of preference on factors (1 - highest; 3 - lowest)						Weighted score	Mean score
	1		2		3			
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent		
Lack of awareness	111	25.23	96	21.82	79	17.95	604	2.11
It is too risky	127	28.86	34	7.73	42	9.55	491	2.42
Lack of facilities for trading in Aizawl	36	8.18	89	20.23	12	2.73	298	2.18
Lack of required knowledge	24	5.45	46	10.45	99	22.50	263	1.56
Too much price volatility	4	0.91	48	10.91	32	7.27	140	1.67
It involves large amount of funds	23	5.23	8	1.82	40	9.09	125	1.76
Difficulty in getting proper information and advice	13	2.95	12	2.73	43	9.77	106	1.56
Fear of fraud and manipulation by companies	17	3.86	22	5.00	8	1.82	103	2.19
No response	85	19.32	85	19.32	85	19.32	510	2.00
Total	440	100	440	100	440	100		

Source: Primary data

As shown in Table 4.17, taking the weighted score, ‘lack of awareness’ was the most important motive for not investing in company securities while the risky nature of company securities was the second most important motive followed by ‘lack of trading facilities in Aizawl’, ‘lack of required knowledge’ and so on. The weighted score was calculated by assigning 3 points to first choice, 2 points to second choice and 1 point to the third choice. From the respondents’ first level of preference, 28.86 per cent of the respondents thought ‘it is too risky’, 25.23 per cent of the respondents chose ‘lack of awareness’, 8.18 per cent chose ‘lack of trading facilities in Aizawl’, 5.45 per cent chose ‘lack of required knowledge’, 5.23 per cent ‘it requires large amount of funds’, 3.86 per cent chose ‘fear of fraud and manipulation by companies’, 2.95 per cent chose ‘difficulty in getting proper information and advice’ and 0.91 per cent chose ‘too much volatility’ as their motive for not investing in company securities.

The *Indian Household Investors Survey* (2004) mentioned, in its remarks on investor education, that while schools throughout the U.S. have brought fantasy stock-picking into the classroom (The Stock Market Game sponsored by The Securities Industry Foundation for Economic Education) we still have yet to introduce investor education programmes in our school system. The present study also indicates that the main cause of the respondents staying away from company securities is due to their lack of awareness.

4.5 CONCLUSION

It is always disheartening to hear that someone known to us is a victim of a financial scam, especially of near relatives and close friends. Even though various laws with its rules and regulations towards of financial scams exists and stories of other people swindled off their money regularly crop up during our general conversations, con men always find someone to cheat. The propensity to be free of financial scams does not rely on the level of education of a person but on the person's penchant for cross examination of the financial products, its characteristics and the seller. In Mizoram, a far reaching education programme on financial literacy, especially towards fraud detection is the need of the hour.

Since the entry of financial instruments other than traditional instruments is quite recent, the experience level and confidence level of investors is relatively lower in Mizoram. This is reflected in their risk preference where more than half of the investors prefer to play safe with their money. Also, it is seen that a significant portion of the investors rely on the advice of others and not on their analysis and research on financial products while buying financial products. But, as the world is becoming more of a global village, more information will be in the hands of the investors thereby helping them in their shaping their investment for their future needs.

The motives of the investors towards investment greatly depend on important factors like past experiences, awareness level, easy access to instruments and so on. Such factors should be looked upon by financial intermediaries and sellers so as to sensitise potential investors in buying their financial products and thereby, indirectly increase capital formation in the economy. Focus on capital formation is kept at the utmost level by many nations, mainly developed ones, in such a way that various ingenious methods are constantly devised by them or other players of the financial market so as to keep their economy growing at a steady pace.

CHAPTER 4

EXPERIENCES, PERCEPTIONS AND MOTIVES OF HOUSEHOLD INVESTORS

This chapter attempts to study the experiences faced by the household investors especially in the context of the financial frauds that occurred in Mizoram, and their perceptions on various issues as well as their investment motives.

4.1 INTRODUCTION

The experiences faced by an individual play a very important role in their future behaviour. The effect of past experiences shapes the perception of individuals towards their environment and, thereby, affects their future decisions (Wilson and Gilbert, 2003). Perception is not the passive receipt of signals from physical and chemical stimuli, but is shaped by learning, memory, expectation, and attention (Richard and Zangwill, 1987). From various literatures we can see that the culmination of various factors like past experiences, perceptions, sensory stimuli and motives result in sub-homogeneous actions which we know as behaviour or, if it happens repeatedly, forms into a habit. Motives are the 'whys' of behaviour - the needs or wants that drive behaviour and explain what we do. We don't actually observe a motive; rather, we infer that one exists based on the behaviour we observe (Nevid, 2013).

From various literatures on decision making (eg. Juliusson et al, 2005; Stanovich & West, 2008; Bruin et al 2007; and Acevedo & Krueger, 2004), we can see that past experiences, cognitive biases, personal beliefs, personal relevance, escalation of commitment and external influences of nearby elements affect the decision making process of a person. Heuristics[1] serve as a framework in which satisfactory decisions are made quickly and easily (Shah & Oppenheimer, 2008). Many types of heuristics have been formulated to explain the decision making process; essentially, individuals work to reduce the effort they need to apply in making decisions and heuristics offer individuals a general guide to follow, thereby reducing the effort they must expend. Heuristics and factors influencing decision making together can make a significant impact in critical thinking (West et al, 2008). Nokes et al (2007) proposed that appropriate and best decisions for a particular situation could be inherently taught. But, heuristics, in its rigid nature, alone could not be used in investment decisions because of the dynamic and volatile nature of the financial world. Flexibility and prompt action is always needed to get the optimum return from investments. In India, investment decision-making for the household, in the sense of nuclear family, lies primarily with the household head, directly and indirectly (*Indian Household Investors Survey*, 2004). Thus, it is important to study the factors influencing the decision making process of a household investor.

The study of behavioural finance has ignited a continuous series of studies in explaining the behavioural aspects of investment decisions. It examines choice under uncertainty. In behavioural finance, financial markets are studied using models which are less narrow than those given by expected utility theory and arbitrage assumptions (Neumann and Morgenstern, 1947). Behavioural finance is a response for understanding the complications faced by the traditional models in financial markets which argues that some financial incidents can be understood using models in which investors are not fully rational, either because of preferences or because of mistaken

[1] Heuristics is a rule of thumb, simplification, or educated guess that reduces or limits the search for solutions in domains that are difficult and poorly understood.

viewpoint. Behavioural finance focuses on how investors translate and act on information to take investment decisions. It also examines the investor behaviour which leads to various market abnormalities. It is a rapidly growing field which focuses on the effect of psychology on the behaviour of financial practitioners (Merikas et al, 2004; Al-Tamimi, 2006). Diverse studies on investor behaviour (eg. Prowse, 1990; Baker and Haslem, 1974; Venter, 2006; Nagy and Obenberger, 1994) showed that relatively less attention has been given to the individual investor behaviour while extensive level of interest has been given by researchers to the behaviour and portfolio performance of institutional investors in the past. Individual investors participate in the stock market by purchasing and selling different stocks and it is very important to identify various economic and behavioural motivations that affect their purchasing decisions. Thus, it is important to identify the factors which influence the individual stock investor.

The individual investment decision in economic utility theory is viewed as a substitution between instant consumption and delayed consumption. The individual investor assesses the benefits of consuming today against the benefits that would be gained by investing unconsumed available funds in order to obtain greater consumption or elevated wealth in the future. If the individual chooses to delay consumption he will have to select the portfolio that will give him maximum contentment in the long-run. The utility theory put forth by Neumann and Morgenstern (1947) states that investors are completely rational, deal with complex choices, are risk-averse and want to maximise their wealth. According to the utility theory, individual investors select the portfolio that increases their expected utility measured in expected return while the risks or losses decreases. The literature on economic utility theory does not cater to the individual investor's decisions. Instead it focuses on macroeconomic models that explain aggregate market behaviour (Nagy and Obenberger 1994) and, thereby, investors, being in an imperfect world, are bounded by their rationality. That is why Hoffmann et al (2006) made an assertion that investors do not have all relevant information, unlimited cognitive and mathematical capacities but rather with limited knowledge and experience.

An exploratory study of factors influencing investment decisions of potential investors conducted by Philmore and Tracey (2010) found that attitudes, subjective norms, perceived behaviour control, and risk propensity were significant predictors of investment intentions. The findings showed that education in business finance can help to influence the investment decision. It was also found that risk propensity did not moderate the relationship between the variables and the investment intentions.

4.2 EXPERIENCES OF RESPONDENTS

Although investing experience is not the same as investing expertise, research in psychology provides a basis for assuming that more experienced investors develop more expert-like investment processes (Payne et al, 1993). In the context of investing, prior researches suggests that more experienced investors tend to predefine their information needs, focus their searches with better execution level to acquire relevant information, and integrate financial statement information to a greater degree than do less experienced investors (Frederickson and Miller, 2004). Jacoby et al (2001) found that as investors gain experience, they tend to develop ‘financial templates (templates allow experienced investors to self-filter and organise data in ways that facilitate making informed decisions)’ that help them organise information. In their study on the importance of investing experience, Elliot et al (2006) observed that less (more) experienced non-professional investors earn lower (higher) returns as their relative use of unfiltered information increases. Investing experience plays a key role in investors’ ability to use 'unfiltered financial information' while investors with little investing experience are likely to become overwhelmed when analyzing unfiltered financial information to the point that it negatively affects their portfolio returns. 'Unfiltered information' is defined by Elliot el al (2006) as information disclosed by management and unaltered by professional intermediaries while 'filtered information' is information packaged by a professional intermediary for consumption by investors. Hodge and Pronk (2006) in another study defined unfiltered information as the raw financial statements provided in quarterly reports and filtered information as management's interpretation of those financial statements.

4.2.1 Experiences as a victim of financial scam

A true history of fraud would have to start in 300 B.C., when a Greek merchant name Hegestratos took out a large insurance policy known as 'bottomry'. Basically, the merchant borrows money and agrees to pay it back with interest when the cargo (in this case - corn) is delivered. If the loan is not paid back, the lender can acquire the boat and its cargo. Hegestratos planned to sink his empty boat, keep the loan and sell the corn. It didn't work out as he had planned, and he drowned trying to escape his crew passengers when they caught him in the act. This is the first recorded incident of financial fraud[2].

The Association of Certified Fraud Examiners (ACFE) defined fraud as "the use of one's occupation for personal enrichment through the deliberate misuse or application of the employing organization's resources or assets". Fraud susceptibility is quite prevalent and is not limited to specific demographic or psychographic fragments. The internet era fosters opportunity for potential scamsters as the costs of

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[2] The Pioneers of Financial Fraud by Andrew Beattie retrieved from http://www.investopedia.com/articles/financial-theory/09/history-of-fraud.asp accessed on 27.5.2013

entry for fraudulent investment enterprises are significantly lower and, at the same time, the ability to quickly reach millions of potential victims is significantly higher. By overlooking the potential vulnerability of many investment opportunities, investors (particularly those without a reasonable amount of financial knowledge and those with a propensity for taking risks) stand to lose substantial amounts of their money to fraud. A research review conducted by the Financial Fraud Research Center - a collaboration of the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation (FINRA Foundation) and the Stanford Center on Longevity estimated that fraud cost Americans over $50 billion a year.

Canadian Securities Administrators (CSA) Investor Study (2007) found that roughly one-in-twenty Canadians have been victimised by investment fraud. Almost one-in-five know a friend or a family member who has been victimised while four-in-ten have been approached by scamsters with an intention of investment fraud.

Moore and Mills (1990) found that victims of investment fraud who choose to report the crime receive unsatisfactory responses from police or regulatory bodies and, that, resulted in a lowered confidence towards authorities and regulatory bodies. In another study, Gray and Acierno (2002) found that nearly half of the financial fraud victims they surveyed experienced a sleep deficit, 40 per cent of them were continually in a ‘depressed mood’ while another 40 per cent cited fatigue and concentration difficulties. Over one third of the victims mentioned a decreased interest in general activities, especially those connected with social activities.

Table 4.1

Experiences of respondents as a victim of financial scam

Instruments	All classes of sample household	**Period**	
		Before 2000	**After 2000**
Small savings schemes	6.67		9.09
Fixed Bank deposits	2.67		3.64
Life Insurance Schemes	29.33	55	18.18
Company Deposits	4 .00	5	5.45
Co-operative society deposits	2.67		3.64
NBFCs	18.67	40	10.91
Kar Khat Bank (*Chiahpuam*)	36.00		49.09
Column total	100	100	100
TOTAL (respondents)	75	20	55

Source : Primary data

Upon being asked about their experience as a victim of a financial fraud/scam, 75 (17.05 per cent) respondents from a total of 440 respondents admitted that they were indeed a victim of financial fraud/scam. From Table 4.1 it is clear that before the year 2000 only 20 of the respondents were a victim of financial fraud/scam. Among the 20 respondents, the components of investment instruments were 55 per cent under life insurance schemes, 5 per cent under company deposits and 40 per cent under NBFC. After the year 2000, the composition of respondents on their experience as a victim of financial fraud were as 9.09 per cent on small savings scheme, 3.64 on fixed deposits, 18.18 on life insurance schemes, 5.45 on company deposits, 3.64 on cooperative society deposits, 10.91 on NBFCs and 49.09 on 'One Week Bank[3]' (*Kar Khat* Bank or '*Chiahpuam Bank*' as called by the locals). Even though the 'One Week Bank' functioned as an NBFC, keeping in mind the enormity of the effect that it had on the investors in Mizoram, it was being asked separately from other NBFCs.

A possible inaccuracy in the study could be that, usually, victims of financial scams/frauds shy away from reporting themselves as a victim of financial fraud. The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation (2013) in their study on financial fraud and fraud susceptibility in the USA found that although 11 per cent of the respondents lost money in a likely fraudulent activity, only 4 per cent of them admitted to being a victim of fraud when asked directly which was an estimated under-reporting rate of over 60 per cent. A small group of respondents who admitted to investing in a fraudulent investment, but did not report the fraud, indicated that reporting would not have made a difference, they did not know where to report it or they were too embarrassed. The CSA Investor Survey (2007) observed that despite the wide spread situation of financial scams, just 17 per cent of those who have been approached with an attempted fraud reported their most recent experience. Even more worrisome, only 22 per cent of one-time fraud victims and 28 per cent of repeat fraud victims reported their most recent fraud experience. Responses suggest that attempted frauds are not reported because they seem too common or it is not clear that they are fraud. Reasons for not reporting actual frauds are more fragmented and include being embarrassed, a waste of time or too much trouble, did not involve much money, lack of proof, or the fraud had already been reported. While people who report attempted fraud tend to be satisfied with the way authorities handled their report, fraud

[3] It was called 'One Week Bank' because the interest was calculated on a weekly basis.

victims were not happy with their treatment, most often citing perceptions of a lack of action from authorities as the reason for their dissatisfaction. If it is the case in this study also, the real situation of investors in Mizoram is still to be unearthed by further research into the victims of financial scams and frauds.

Before the year 2000 AD, LIC (Life Insurance Corporation of India) was the sole life insurance company in Aizawl. With the entry of private insurers, the increasing competition virtually among the insurance agents pushed them into the practice of misspelling. It is evident from the Table 4.1 that the focus of the fraud shifted from insurance related frauds (55 per cent) before 2000 AD to NBFC related frauds (60 per cent - 10.91 per cent from NBFCs plus 49.09 per cent from One Week Bank) after 2000 AD. The *Zozam Weekly* (the largest circulated weekly magazine in Mizoram - 2008) reported that as much as 19 NBFCs (Annexure 4) were operating in Aizawl in 2008 through which a majority of the money circulating in the form of fixed deposits in Mizoram was channelised and distributed among the depositors in the form of a ponzi scheme. In another report in 2010 by *Vanglaini* (the then, largest circulated daily newspaper in Mizoram), 30 NBFCs who were investigated by the Central Investigation Department (CID), Mizoram Branch were mentioned (Annexure 5). Among the 30 NBFCs, 17 were forced to be discontinued by relevant authorities while the rest still continue to exist during that period. Since then, nearly all of the NBFCs mentioned in the *Vanglaini* report have ceased operations in Mizoram while some of them have evolved themselves and continued their operations using different names (eg. K.D. Medicliam was changed to K.D. Infrastructure Pvt. Ltd.). The remaining NBFCs were identified as those financial institutions connected with real estate sector. The high concentration of victims under the *Chiahpuam* Bank i.e. 49.09 per cent of the victims after 2000 AD is not surprising, considering the towering magnitude of the scam in relation to the population of Mizoram. The One Week Bank (*Chiahpuam*) scam, in which ₹184.63 crore was involved is the biggest and most widespread scam in Mizoram. An interesting matter in this One Week Bank (*Chiahpuam*) scam was that more than 90 per cent of the investor who reported themselves to the investigators were women[4]. The irony of this unfortunate event is that the scam happened even when a High Level Financial Committee under the chairmanship of the Chief Secretary was formed to tackle fake financial institutions in the previous year i.e. 2007[5].

Table 4.2

Respondents who were victim of financial scam based on education level

Education level	Victim of scams (actual)	Total respondents (actual)	Per cent of victims from total respondents	Correlation
Upto matriculate	15 (20)	63	3.41	
Higher Secondary	13 (17.33)	85	2.95	0.60
Graduate	27 (36)	167	6.14	
Post Graduate	20 (26.67)	125	4.55	
TOTAL	75	440	17.5	

Source : Primary data

Figures in parenthesis are in percent

[4] As told to the researcher by a leading member of the Special Investigating Team (SIT) constituted by the Government of Mizoram to investigate this One Week Bank Scam.

[5] http://zozamweeklynews.blogspot.in/2010/01/aizawl-ah-bank-lem.htm accessed on 3.5.2013

Table 4.2 shows that 17.5 per cent of the respondents were, at least, once a victim of financial scam. Taking the educational level of these respondents, 20 per cent were matriculates and below, 17.33 per cent studied up to higher secondary level, 36 per cent studied upto graduation level while 26.67 per cent were post-graduates. Comparing the number of respondents who were victims of financial scams with the total respondents, 3.41 per cent were matriculates and below, 2.95 per cent studied up to higher secondary level, 6.14 per cent were graduates and 4.55 per cent were post-graduates. The correlation level of the percentage of the respondents experiencing financial scams with their education level was 0.60, which indicated that there was a considerable positive correlation between the number of financial scam victims and their educational level. This shows that respondents with higher education level were slightly prone to financial scams than those with lower educational qualifications. This finding is somewhat in conjunction with findings of Baker and Faulkner (2003) and Consumer Fraud Research Group (2006) where victims of financial fraud tend to have a relatively higher level of intelligence.

Table 4.3

Victims of financial scam - education level and instruments

Instruments	All classes of sample household	**Education Level (per cent)**			
		Up to matriculate	Higher Secondary	Graduate	Post Graduate
		Per cent of household – column wise			
Small savings schemes	6.67			3.70	20
Fixed Bank deposits	2.67		15.39		
Life Insurance Schemes	29.33	66.67	15.39	14.82	30
Company Deposits	4.00			3.70	10
Co-operative society deposits	2.67				10
NBFCs	18.67	20	38.46	11.11	15
Kar Khat Bank (Chiahpuam)	36.00	13.33	30.76	66.67	15
Column total	100	100	100	100	100
No. of respondents	75	15	13	27	20

Source : Primary data

From Table 4.3 it is seen that respondents from all the education level were a victim of financial fraud in either life insurance schemes or NBFCs (including One Week Bank) or both. On matriculation and below level of education, two-third of the respondents were a victim of an institution or persons working under a life insurance company. Respondents with higher secondary education were victims in fixed bank deposits (15.39 per cent), life insurance schemes (15.39 per cent), NBFCs (38.46 per cent) and One Week Bank (30.76 per cent). Respondents who were graduates were victims in small savings schemes (3.70 per cent), life insurance schemes (14.82 per cent), company deposits (3.70 per cent), NBFCs (11.11 per cent) and 'One Week Bank' (66.67 per cent).

Chart 4.1

Victims of financial scam - education level and instruments

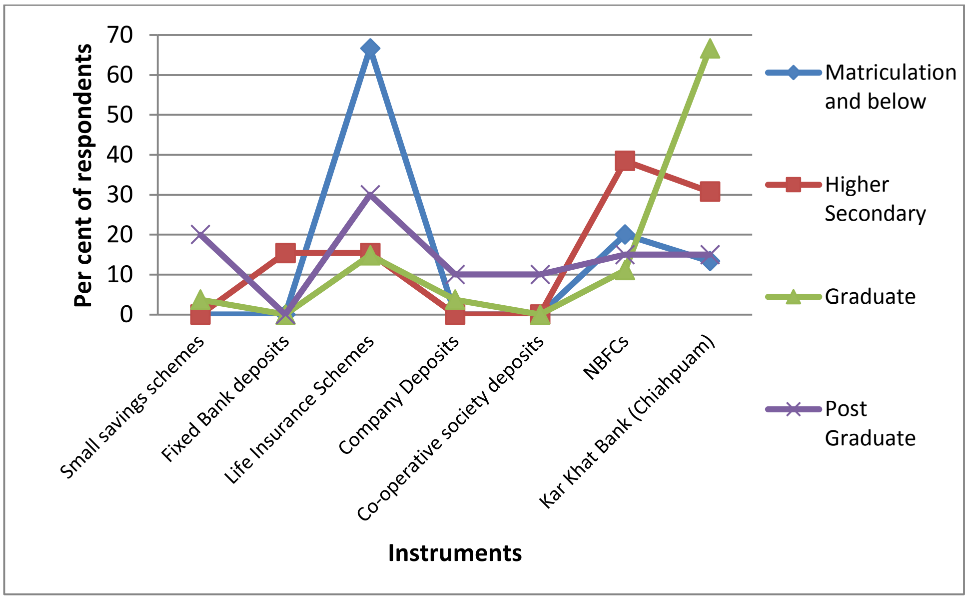


Chart 4.1 shows that high incidences of scams were prevalent in life insurance schemes and NBFCs including *Kar Khat Bank* while the section of respondents from other instruments like small savings schemes, fixed bank deposits, company deposits and cooperative society deposits tend to be below 20 per cent.

4.2.2 Impact of the recent global financial crisis

The Global Financial Crisis of 2008 was considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. This crisis, which began in 2007, when home prices in the United States sky rocketed and finally turned decisively downwards, spread quickly, first to the entire American financial sector and then to financial markets of other countries. This economic downturn affected in the United States, the entire investment banking industry, the biggest insurance company, the two enterprises chartered by the government to facilitate mortgage lending, the largest mortgage lender and two of the largest commercial banks. The impending crisis was not limited to the financial sector, as companies that normally rely on credit suffered heavily. Banks, trusting no one to pay back their loans, simply stopped giving out loans that most businesses need to regulate their cash flows and without which they cannot do business. Share prices plunged throughout the world (the Dow Jones Industrial Average in the U.S. lost 33.8 per cent of its value in 2008 while BSE Sensex lost 37.9 per cent in the same period) and by the end of the year, a deep recession had enveloped most of the globe.

In India, on 20th October, 2008, the then Prime Minister Manmohan Singh, in the Lok Sabha stated that Indian banking system is not directly exposed to the sub-prime mortgage assets and their exposure to other economic crisis affected assets is also minimal. Banks in both the public sector and in the private sector were financially sound, well capitalised and well regulated. In spite of this comment, the Indian government arranged to provide in advance, under the Debt Waiver and Debt Relief Scheme, a sum of ₹25,000 crore to the banking system. The investment limit of Foreign Institutional Investors in corporate bonds was increased from \$3 billion to \$6 billion. The, then, Prime Minister of India, Dr. Manmohan Singh set up a high-level panel, headed by the Prime Minister himself with members like the chief of India's central Reserve Bank, finance minister and trade & commerce ministers to monitor the impact of the global financial crisis on domestic industry and advised the concerned bodies on steps needed to bolster the Indian industry. Industrial production made a significant drop from 9.2 per cent average growth in the previous four years to a 2.7 per cent growth in 2008. The BSE Sensex, the oldest and most popular stock index in India, lost 37.9 per cent of its value, adversely affecting the ability of businesses in raising money in the capital market which further decreased the wealth of investors.

The Reasearch Unit of the Rajya Sabha Secretariat in its study of *Global Economic Crisis and its Impact in India* (2009) pointed out that “the primary market got derailed and secondary market is in the deep abyss". The study mentioned that "the impact of the crisis has been deeper than anticipated earlier although less severe than in other emerging market economies". *The Report of the Working Group on Savings during the Twelfth Five-Year Plan* (2012) stated that the growth rate of real GDP exceeded 9 per cent during the years 2005-06 to 2007-08. During 2008-09 (the global financial crisis-affected year), the real GDP growth declined to 6.7 per cent, which was impressive by international standards. The real GDP growth rate then recovered rapidly to 8.4 per cent in 2009-10 and 2010-11. The average growth rate during 2002-03 to 2010-11 was around 7.9 per cent. Comparing the domestic savings rate to the international level, India's savings rate declined sharply in the aftermath of the global financial crisis (2008) as in many other countries, but, recovered to a certain extent, in the year 2009. As per the *World Development Indicators 2011*, among the bigger nations, the domestic savings rate of China and Indonesia kept on rising (50.50 per cent in 2007 to 52.1 per cent in 2009 and 29 per cent in 2007 to 33.8 per cent in 2009, respectively) while the other nations, including India decreased to varying proportions. However, the extent of decline in India's domestic savings rate (from 36.9 per cent in 2007 to 33.8 per cent in 2009) was much lower than those in many of the advanced and emerging market economies.

Table 4.4

How has the global financial crisis affected your investment habit?

Level of effect	No. of respondents	Per cent
Very much	9	2.05
Somehow	148	33.64
Not affected	260	59.09
No response	23	5.23
TOTAL	440	100

Source : Primary data

It is seen from Table 4.4 that only 2.05 per cent of the respondents felt that they were very much affected by the global financial crisis in 2008 while 33.64 per cent felt that they were somehow affected and nearly 60 per cent felt that they were not affected. The data implicates that more than half of the investors perceive that the economic downturn has not affected them at all. This may be mainly due to the fact that only a small section of the respondents invested in equity shares, mutual funds and other instruments which are connected with the volatile shares market, which in turn was greatly affected by the world financial crisis. As Chidambaram (2008) pointed out that "While the developed world, including the U.S, the Euro Zone and Japan, have plunged into recession, the Indian economy is being affected by the spill-over effects of the global financial crisis". This statement tried to sum up the effect of the financial crisis in India where high domestic savings rate, conservative investment strategies and a strong regulatory regime have saved Indian economy from following the developed nations into stark financial problems, even though significant sectors of the economy have slowed down. Similarly, Nahmias (2010) observed that "the financial crisis does not seem to have changed much the savings behaviour of French households, who continue primarily to adopt positions of accumulating wealth and to prefer life insurance for their financial investments".

4.2.3 Advice given to potential investors

The SEBI (Investment Advisers) Regulation 2013 defined 'investment advice' as "advice relating to investing in, purchasing, selling or otherwise dealing in securities or investment products, and advice on investment portfolio containing securities or investment products, whether written, oral or through any other means of communication for the benefit of the client and shall include financial planning. Provided that investment advice given through newspapers, magazines, any electronic or broadcasting or telecommunications medium, which is widely available to the public shall not be considered as investment advice for the purpose of these regulations". According to this act, anyone individual (other than an insurance agent registered under IRDA, a mutual fund distributor registered under SEBI, an advocate who provides legal advices on investments, a pension adviser registered under PFRDA, a chartered accountant, a cost accountant, a company secretary, an actuary, any stock broker, sub-broker or portfolio manager registered under SEBI, a fund manager of a mutual fund, a person providing investment advice to clients exclusively outside India other than Persons of Indian Origin or Non-Resident Indians and any representative/partner of a registered investment adviser) who for consideration is engaged in the business of providing investment advice to any type of client should be registered under SEBI. For such individuals to be registered as investment advisers, they need to have a basic minimum qualification of a professional qualification/post-graduate degree/post-graduate diploma in selected subjects concerned with investments along with a compulsory qualification which is either a National Institute of Securities and Management (NISM) Investment Adviser Certificate or any other certification accredited by NISM.

It is very clear from the above information that any person could not solicit, for a consideration, a particular instrument for sale to any other person unless he has the requisite certification from related bodies unless such advice is given through mass media (electronic or print) to the general public.

Table 4.5

Have you ever helped a potential investor in making an investment decision?

Response	No. of respondents	Per cent
Yes, fully	19	4.32
Yes, partly	158	35.91
No	240	54.55
No response	23	5.23
Total	440	100

Source : Primary data

Table 4.5 shows the level of involvement of the respondents in helping others in making investment decisions. Among the respondents, 4.32 per cent had fully helped, 35.91 per cent had partly helped while 54.55 per cent of the respondents had not yet helped a potential investor in making investment decision. The high incidence of respondents not being able to help potential investors may be in concurrence with the low level of awareness of the respondents on even common investment terms as shown in Table 3.2 in the previous chapter.

The Brondesbury Group (2012) in their *Investor behaviour and beliefs : Advisor relationships and investor decision-making study* found that 5 out of 6 investors in their sample group identified themselves as having an advisor-client relationship with another person/organisation, where the advisor makes recommendations and then the client decides what to do. Two-thirds of investors know little about their advisor when they enter into a contract with their advisor. The most common way in which they got an advisor was when such advisor was assigned by their bank or a financial institution. Some 80 per cent of the investors have bought mutual funds from their advisor and nearly half of them have bought general insurance and stocks. One-third of the investors reported buying life insurance directly from their advisor. When asked what products their advisor can directly sell, the investors were not certain what their advisor could sell directly (what they were licensed to sell) as the study revealed that the instruments bought by them were sometimes quite different from the related licenses/registrations allowed for their respective financial advisors.

On the work of financial advisors, authors such as Bhattacharya et al. (2011) and Kramer (2012) found potential positive effects on such advices given by advisors while research done by Hackethal et al (2011) and Bergstresser et al (2009) indicated that financial advisors do more harm than good.

Hoechle et al (2013) found that older, more wealthy and better educated individuals were more likely to rely on advice. Female clients of advisors were more likely to rely on advice given by the advisors than male clients. Among the advisors - females, younger ones, advisors with children, advisors with fewer clients and higher ranking advisors were more relied upon by their clients than other advisors.

4.2.4 Source of assistance received in investing

A rational investor, in order to invest in an investment instrument, has to have a basic knowledge about the instrument(s) he is about to invest or giving his thoughts on investing on such products. Sometimes, the personal knowledge of an investor might not seem adequate and assistance from others might be needed to make correct or proper decisions. Assistance may come from friends, immediate family members, relatives, websites that render assistance by professionals, softwares designed to track portfolio or retrieve relevant information, peers from workplace and, finally, from investment advisers.

The FINRA Investor Education Foundation and the National Center for Victims of Crime (2013) in their study on victims of financial fraud found that, in general, most perpetrators of financial fraud (other than that of an identity theft) are individuals whom the victims trust. Trust is the medium that financial fraudsters takes the most advantage of and such fraud often proved to be quite devastating to the emotional stability and confidence of the victims. Hence, it is very important for investors in keeping due diligence in asking for help, advice or assistance from even trusted individuals.

Table 4.6

Source of assistance received when investing

Source of assistance	No. of respondents	Per cent*
Investment adviser	68	15.45
Friends	165	37.50
Relatives	62	14.09
Peers	71	16.14
Family	128	29.09
Internet/software	114	25.91
None	84	19.09
No response	26	5.91
Total	718	

Source : Primary data

*Column totals may add to more than 440/100 due to multiple responses given by some of the respondents.

The sources of assistance received by the respondents, as shown in Table 4.6 indicates that 37.50 per cent received assistance from friends, 29.09 per cent from family, 25.91 per cent from the Internet/software, 16.14 per cent from peers, 15.45 per cent from investment advisers, 14.09 per cent from relatives while 19.09 per cent of the respondents received no assistance from any of these sources when they invest. There were 330 respondents who received assistance from any source, 84 respondents did not receive any assistance while 26 respondents made no response to the question.

4.3 PERCEPTION OF INVESTORS

Perception is our sensory experience of the world around us and involves both the recognition of environmental stimuli and actions in response to these stimuli.

Through the perceptual process, we gain information about properties and elements of the environment that are critical to our survival (www.psychology.about.com). Perception is the process of selecting, organising, and interpreting data from our senses. This is an inherently subjective process with much potential for error, both in the perception of self and in the perception of others. Our self-concept and self-esteem are protected by the self-serving bias. Our perception of others is biased by the primacy effect, negativity bias, attribution error, and stereotyping. Our perception of self and others is a fundamental starting point of human communication. We reveal who we are to others by self-disclosing. To be a competent communicator, monitor your perceptual biases, avoid snap judgments, recognise cultural differences, manage the impressions you make with others, practice empathy, and check your perceptions of others with them (Rothwell, 2012) The bulk of research in modern economics has been built on the notion that human beings are rational agents who attempt to maximise wealth while minimising risk. They carefully assess the risk and return of all possible investment options to arrive at an investment portfolio that suits their level of risk aversion. From various literatures such as Benos (1998), Daniel et al (1998), Gervais and Odean (2001), Wang (2001), Scheinkman and Xiong (2003) and Peng and Xiong (2006) it is seen that most investors are overconfident. This overconfidence is generally attributed to the "miscalibration" of the precision of information received by investors. Grossman and Stiglitz (1980) in their rational expectations model propounded that some investors choose to acquire costly information and others choose to invest passively. Informed, active, investors earn higher pre-cost returns, but, in equilibrium, all investors have the same expected utility.

4.3.1 How investors perceive of themselves as sensible investors

Sensible investing is all about passive and evidence-based investing, which seek to capture the returns offered by the markets. This is achieved by a pre-determined strategy which focuses on keeping costs low by avoiding unnecessary trading, diversifying across the whole market and a wide set of asset classes, taking the long term view that markets can do better in some years and worse in others, but passive investors understand that markets are efficient and operate on the basis of all known information.

Table 4.7

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"

Level of agreement	No. of respondents	Per cent
Agree completely	78	17.73
Agree	153	34.77
Neither agree nor disagree	146	33.18
Disagree	27	6.14
Disagree completely	13	2.95
No response	23	5.23
TOTAL	440	100

Source : Primary data

Upon being asked about their agreement with whether they considered themselves a very sensible investor, the response of the respondents, as shown in Table 4.7, was that 17.73 per cent completely agreed, 34.77 per cent agreed, 33.18 neither agreed nor disagreed, 6.14 per cent disagreed and 2.95 per cent completely disagreed. This shows that half (52.50 per cent) of the respondents agreed that they were sensible investors while one third of the respondents could not make up their mind.

Table 4.8

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"

Age-wise analysis

Level of agreement	All classes of sample household	Age of respondents: Up to 30	31-40	41-50	51-60	61-70	71 and above
		Per cent of household – column wise					
Agree completely	17.73	10.34	17.68	18.44	15.63	50	66.67
Agree	34.77	29.31	38.41	34.75	28.13	50	33.33
Neither agree nor disagree	33.18	34.48	23.17	39.01	51.56	-	-
Disagree	6.14	3.45	12.20	2.13	3.13	-	-
Disagree completely	2.95	5.17	2.44	4.26	0.00	-	-
No response	5.23	17.24	6.10	1.42	1.56	-	-
Column total	100	100	100	100	100	100	100
No. of respondents	440	58	164	141	64	10	3

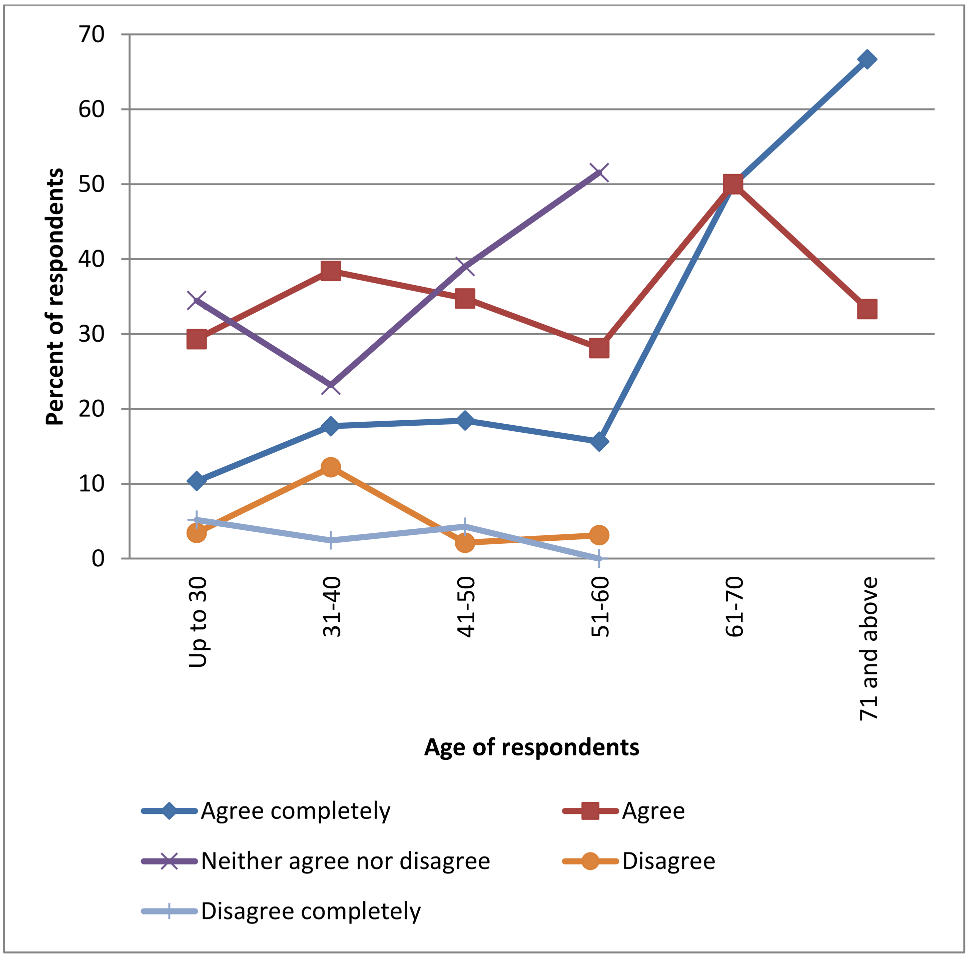
Source : Primary data

Chart 4.2

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"

Age-wise analysis



Source : Primary data

Further analysing in terms of age on the level of agreement of respondents on the issue of calling themselves a sensible investor, Table 4.8 and Chart 4.2 shows that among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were sensible investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and 2.44 per cent completely disagreed that they were sensible investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were sensible investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were sensible investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were sensible investors. Among the respondents from the age of 71 years and above, two third of the respondents agreed completely while one third agreed that they were sensible investors. Table 4.8 shows that the higher age groups generally are more confident by stating that they consider themselves as sensible investors. This finding is more or less similar to the findings made by the Financial Industry Regulatory Authority (2007), a not-for-profit organisation in the USA, on investment attitudes and behaviour of investors in which older (55 years and older) investors were more confident than younger investors (25 to 54 years) towards the information that they received. In another study made by FINRA (2006) on senior investors (from 60 years of age and above), 92 per cent of respondents described themselves as "somewhat confident" or "very confident" about managing their finances and 68 per cent reported a recent increase in confidence in the past three years. Such confidence transforms into a feeling of being sensible in investment decisions and, thus, the FINRA study on senior investors is somewhat similar to that of my finding where 100 per cent of the respondents who were above 60 years agreed that they were sensible investors.

Table 4.9

Up to what extent do you agree with the statement "I consider myself a very sensible investor"?

Income-classwise analysis

		Household income class (per cent)									
Level of agreement	All classes of sample household	Up to 10,000	10,001 to 15,000	15,001 to 20,000	20,001 to 25,000	25,001 to 30,000	30,001 to 35,000	35,001 to 40,000	40,001 to 45,000	45,001 to 50,000	50,001 and above
		Per cent of household – column wise									
Agree completely	17.73	6.67	8.70	10.26	20.00	31.82	32.43	7.84	29.03	9.38	11.63
Agree	34.77	66.67	39.13	20.51	26.67	43.94	18.92	60.78	32.26	25.00	29.07
Neither agree nor disagree	33.18	6.67	8.70	25.64	46.67	19.70	43.24	19.61	38.71	59.38	40.70
Disagree	6.14	20.00	13.04	17.95	-	-	-	3.92	-	6.25	11.63
Disagree completely	2.95	-	17.39	-	-	4.55	5.41	-	-	-	4.65
No response	5.23	-	13.04	25.64	6.67	-	-	7.84	-	-	2.33
Column total	100	100	100	100	100	100	100	100	100	100	100
No. of respondents	440	15	23	39	60	66	37	51	31	32	86

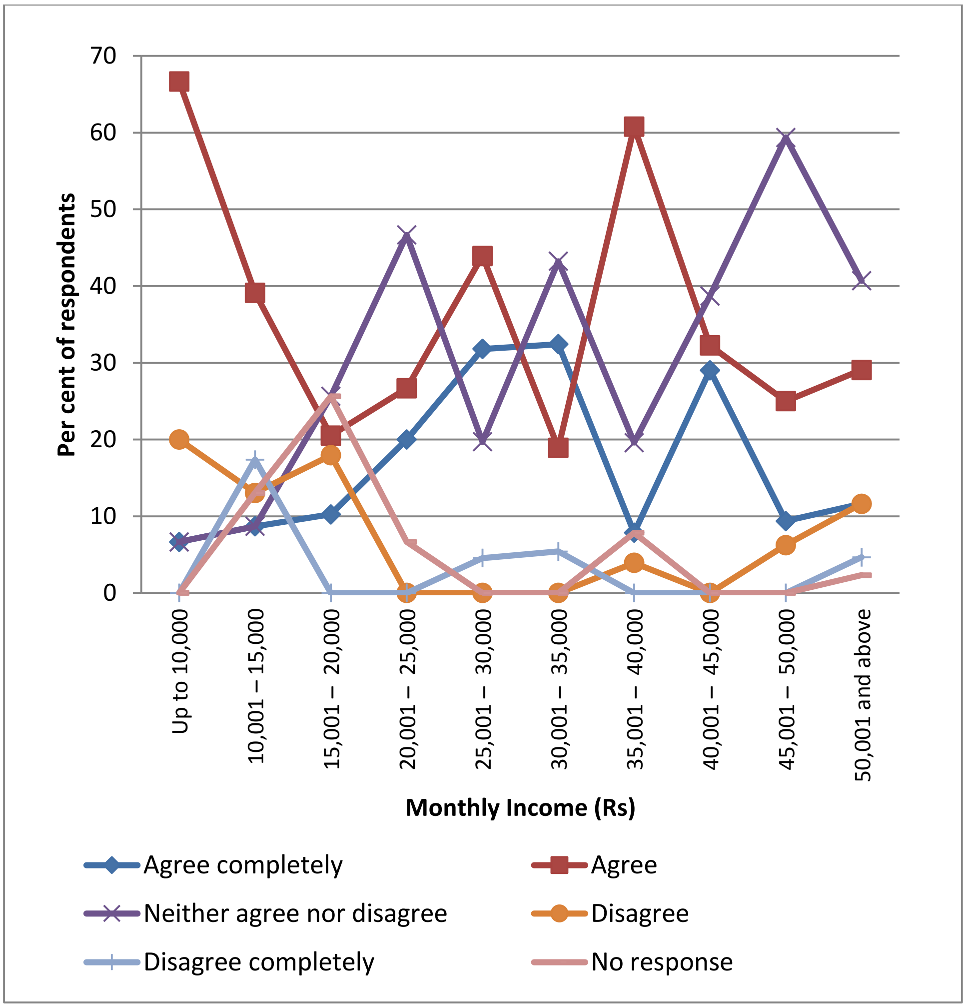
Source : Primary data

Chart 4.3

Up to what extent do you agree with the statement

"I consider myself a very sensible investor"?

Income-classwise analysis



Source : Primary data

The income-wise analysis of the response from the respondents on the question of whether they consider themselves as a sensible investor is shown in Table 4.9. The higher income groups from monthly income of ₹40,001 onwards could neither agree nor disagree with the statement. From Chart 4.3 it can be inferred that respondents with an income of ₹10,000 and below and ₹35,001-40,000 were more confident than the other income groups. It can further be seen that the path made by the respondents agreeing to the statement hovers above that of those respondents not agreeing with the statement. Among all the income groups, a majority of them either agreed that they were sensible investors or they were neutral towards the statement that they were a sensible investor. Hira et al (2007) in their study on investment attitudes and behaviour of high income Americans found that women, even though with high income, were not as confident as their male counterparts. These women would rather make investment decision with their partners while their male counterparts were more likely to make such decisions by themselves. They further stated that men with higher income claim to be more confident and knowledgeable while they worry more often about their investment than others. In a study on the confidence of investors Tappan (2013) found that households with greater disposable income are more confident in the economic climate. He concluded that as household investors are the largest investor segment of the stock market, how and when they influence each other is vital to the economy.

4.3.2 How investors perceive themselves as experienced investors

Gervais and Odean (2001) predict that after an initial period overconfidence should decrease with experience. However, several studies (Heath and Tversky, 1991; Frascara, 1999) in the psychological literature show that experts are more likely to be overconfident than relatively inexperienced subjects. Feng and Seasholes (2005) in their study found that experience and age may have contrary effects on behaviour although they are usually correlated. In another study on experience of investors and its effects, Lukas et al (2010) found that the relation of experience to overconfidence is contrary to the relation of age. They further stated that experience has an influence on overconfidence but the relation between experience and overconfidence among financial professionals was minute and therefore, negligible which was in contrast with the finding made by Glaser et al (2007).

Table 4.10

Upto what extent do you agree with the statement

"I consider myself an experienced investor"

Level of agreement	No. of respondents	Per cent
Agree completely	3	0.68
Agree	60	13.64
Neither agree nor disagree	174	39.55
Disagree	163	37.05
Disagree completely	17	3.86
No response	23	5.23
TOTAL	440	100

Source : Primary data

Table 4.10 shows that 14.32 per cent of the respondents considered themselves to be experienced investor, 40.91 per cent did not consider themselves as experienced investors while 39.55 per cent could not make out whether they were experienced or an inexperienced investors. It is seen here that only a small segment of the respondents consider themselves to be experienced in investing their money, it may be inferred that even though half of the respondents considered themselves as sensible investors, their self consciousness on the experience level in the field of investment was rather low.

Table 4.11

Upto what extent do you agree with the statement

"I consider myself an experienced investor"

Age-classwise

Level of agreement	All classes of sample household	**Age of respondents** Up to 30	31-40	41-50	51-60	61-70	71 and above
		Per cent of household – column wise					
Agree completely	0.68	-	-	2.13	-	-	-
Agree	13.64	10.34	18.90	7.09	12.50	50.00	-
Neither agree nor disagree	39.55	27.59	37.80	42.55	56.25	-	-
Disagree	37.05	39.66	35.98	39.72	26.56	50.00	100.00
Disagree completely	3.86	5.17	2.44	7.09	-	-	-
No response	5.23	17.24	4.88	1.42	4.69	-	-
Column total	100	100	100	100	100	100	100
No. of respondents	440	58	164	141	64	10	3

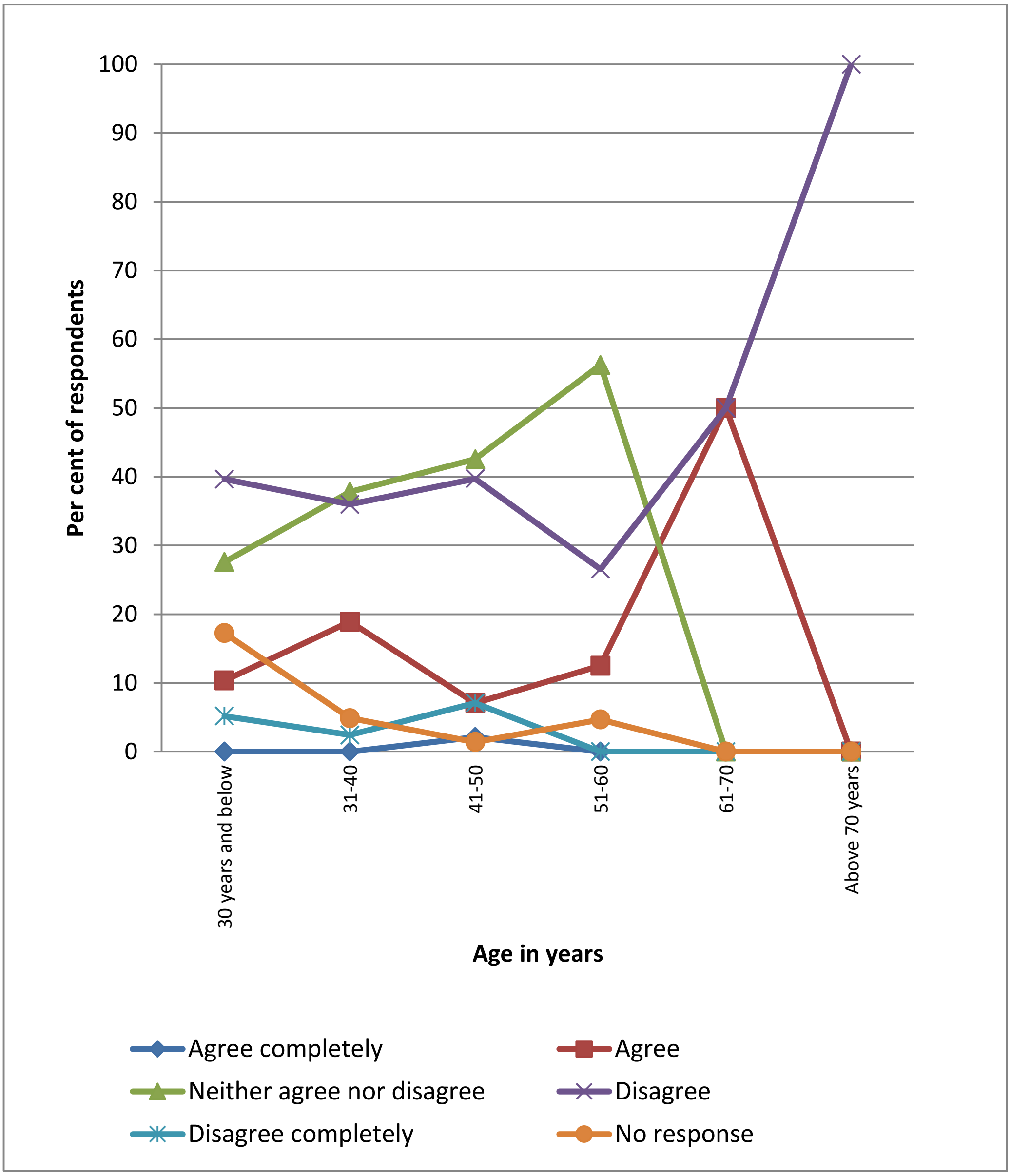
Source : Primary data

Chart 4.4

Upto what extent do you agree with the statement

“I consider myself an experienced investor”

Age-classwise



Source : Primary data

Table 4.11 and Chart 4.4 show that among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were experienced investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and 2.44 per cent completely disagreed that they were experienced investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were experienced investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were experienced investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were experienced investors.

Table 4.12

Upto what extent do you agree with the statement "I consider myself an experienced investor"

Income-classwise analysis

		Household income class (per cent)									
Level of agreement	All classes of sample household	Up to 10,000	10,001 to 15,000	15,001 to 20,000	20,001 to 25,000	25,001 to 30,000	30,001 to 35,000	35,001 to 40,000	40,001 to 45,000	45,001 to 50,000	50,001 and above
		Per cent of household – column wise									
Agree completely	0.68	-	-	-	-	-	8.11	-	-	-	-
Agree	13.64	13.33	13.04	10.26	18.33	1.52	-	29.41	3.23	9.38	23.26
Neither agree nor disagree	39.55	60.00	4.35	30.77	46.67	28.79	56.76	27.45	51.61	59.38	40.70
Disagree	37.05	26.67	56.52	33.33	23.33	62.12	32.43	37.25	45.16	25.00	29.07
Disagree completely	3.86	-	13.04	-	3.33	7.58	-	5.88	-	-	4.65
No response	5.23	-	13.04	25.64	6.67	-	-	7.84	-	-	2.33
Column total	100	100	100	100	100	100	100	100	100	100	100
No. of respondents	440	15	21	29	52	66	34	48	31	30	84

Source: Primary data

Chart 4.5

Upto what extent do you agree with the statement

“I consider myself an experienced investor”

Income-classwise analysis

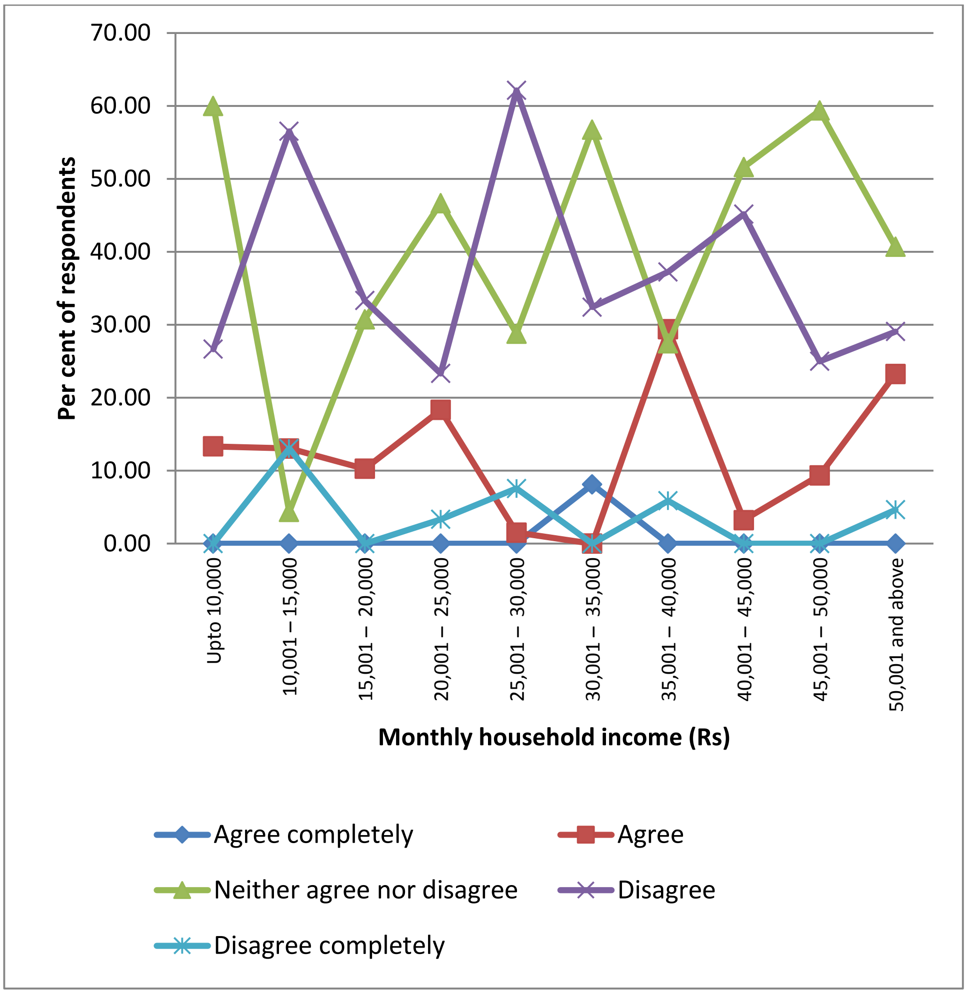


Table 4.12 shows that from all the income groups, the majority of the respondents either have no opinion or disagreed with the statement that they were experienced investors. Except for respondents from the income group of ₹35,001-40,000 where 29.41 per cent agreed that they were indeed experienced investors, respondents who agreed that they were experienced constituted less than 20 per cent of the respondents on all the other income groups. From Chart 4.5 it is perceptible that the number of respondents who had no opinion or disagreed with the statement comprised the major portion of the respondents.

Table 4.13

Perceptions and extent of agreement on different statements

	Level of agreement with statements						
Statements	Strongly Disagree	Disagree	Agree nor disagree	Agree	Strongly Agree	No response	Total
	No. of respondents (per cent) : row-wise						
1. It bothers me deeply if the instruments I invested on fluctuate in the market.	7 (1.59)	69 (15.68)	191 (43.41)	75 (17.05)	71 (16.14)	27 (6.14)	440 (100)
2. Risk is the major deciding factor when I invest	17 (3.86)	81 (18.41)	151 (34.32)	111 (25.23)	53 (12.05)	27 (6.14)	440 (100)
3. Inflation increases the level of risk in investment	3 (0.68)	47 (10.68)	210 (47.73)	104 (23.64)	49 (11.14)	27 (6.14)	440 (100)
4. Low risk investments with stable returns are more attractive to me than instruments with high risk but potentially high returns.	12 (2.73)	53 (12.05)	122 (27.73)	159 (36.14)	67 (15.23)	27 (6.14)	440 (100)
5. I agree that high returns is always connected with high risks	13 (2.95)	28 (6.36)	130 (29.55)	180 (40.91)	62 (14.09)	27 (6.14)	440 (100)
6. I usually invest without making a study/research on the instrument in which i am about to invest and greatly depend on advice of others.	15 (3.41)	154 (35.00)	116 (26.36)	105 (23.86)	23 (5.23)	27 (6.14)	440 (100)
7. The state government should take more active role in educating household investors	4 (0.91)	24 (5.45)	68 (15.45)	257 (58.41)	60 (13.64)	27 (6.14)	440 (100)

Source : Primary data

4.3.3 Perceptions and extent of agreement on different statements

Table 4.13 shows the level of agreement on various statements relating to household investment. From Table 4.13 it could be pointed out that:

1. Nearly one fifth of the respondents disagrees that it bothers them to see the value of financial products that they are investing fluctuates in the financial market. Nearly half of them could not make a definite answer while a fourth of the respondents agreed that they were indeed worried about their investments. This could imply that either one fourth of the respondents were aware of their investment and kept track of their investment while the rest does not bother to monitor their investment at all or the investors were not worried in anticipation of better and rising market conditions in the future.
2. Around 40 per cent of the respondents agreed that they give utmost importance to the level of risk involved in the financial instruments when they invest. A third of the respondents could not give a definite answer on the statement while around a fifth of the respondents did not consider risk as the major deciding factor when they invest.
3. It is universally accepted that the risks of the value of financial instrument declining is part due to the occurrence of inflation in the economy. One tenth of the respondents do not agree that inflation increases the risk level of investments while a third of the respondents agreed that it is so. Around half of the respondents do not have a clear opinion on the statement. This may indicate more half of the respondents know little of the concept of inflation and its connection with investment risk.
4. A little more than half of the respondents agreed that they find low risk investments with stable returns more attractive than instruments with high risk

but potentially high returns. This explains the high preference of respondents in the previous chapter where they chose traditional instruments which have relatively lower but stable returns on their portfolio basket. 14.78 per cent of the respondents still prefer to invest in instruments with high risk but potentially high returns. A little more than one fourth of the respondents were indifferent towards the statement.

5. It is seen in various financial scams in the nature of ponzi schemes that people are attracted towards high returns. Such people usually are either ignorant of the connection of high returns with high risk or they chose to pay no heed to the fact that high returns are by and large connected with high risk. Nearly a third of the respondents could not give a definite response while more than half of them do agree that high returns are usually connected with high risk. Some 10 per cent of the respondents still feel that high returns are not connected with high risks.

6. It is sometimes found that investing without making any study on the financial instrument do wield fine returns on investment. But it is not the best way of investing as the probability of losing money invested is very high. In order to minimise the probability of losing money, it is always advised to do a bit of a research on financial instruments before and after investing. In Table 4.13 it is found that more than a third of the respondents do make a study/research on financial instruments that they are about to invest and do not rely much on the advice of others. Around 30 per cent, on the other hand, did not do the ground work but rely on the advice of others like friends, peers, relatives, etc and 26.36 per cent could not give a definitive answer to the statement.

7. On the matter of the state government taking more active role in educating household investors, nearly three fourth of the respondents agreed that the state government does indeed needed to take responsibility and device programmes in disseminating financial literacy to the people of Mizoram. Only 6 per cent feel that the state government need not involve itself in such matters while 15.45 per cent were indifferent towards the statement. Evidences from financial frauds, awareness level of investors and habits of the investors in this study, it implies that action from the part of the state government is virtually non-existent as programmes on financial literacy for the general population initiated by the state government is yet to be seen.

4.4 INVESTMENT MOTIVES OF INVESTORS

Various environmental factors acting upon an individual affects the outcome of his mind, which we called action. This nature and intensity of this action is in turn, affected by the level of motivation which the individual possesses. Merriam-webster dictionary defines motive as something (as a need or desire) that causes a person to act. Motivation, one of the most important factors in affecting human attitudes and behaviours, directly affects the level of performance of an individual or a group. It involves a series of modifying and directing human behaviours into desired patterns of work (Griffin, 2013). From the very fundamental point of view, a motivated individual is simply incited to do something (Ryan et al, 2009). There are primary and secondary objectives in investment: safety, income and growth of capital being the primary objectives while tax minimisation and marketability/liquidity are secondary objectives. The advantages of one often comes at the expense of the benefits of another. If an investor desires growth, for instance, he or she must often sacrifice some income and safety. Therefore, most portfolios will be guided by one pre-eminent objective, with all other potential objectives occupying less significant weight in the overall scheme.

According to the information given by the Ministry of Company Affairs, Government of India in its *Investor Education and Protection Fund* booklet, there are primarily three investment objectives: safety, returns and liquidity. In ideal scenario, this means that one would like the investment to be absolutely safe, while it generates handsome returns and also provides high liquidity. However, it is very difficult to maximise all three objectives simultaneously since one objective trades off against another objective.

4.4.1 **Motives for selecting new financial instrument**

Mouli (2007) found that among the investors in north coastal parts of Andhra Pradesh (India), safety was the most preferred investment objective followed by income, liquidity and marketability, tax benefits, capital appreciation and diversification, respectively. The first preference of respondents in this study is same as that of the finding made by Mouli. Lee et al (2010) found that investors with various asset levels show significantly different preferences to market selection. They suggested that investors would prefer to make investment among the companies with high credibility, larger in size, high cash/stock dividends and high stock price (3H stocks) or high risk with high return. On the other hand, the investor background variables made no significant difference in investment behaviours, which suggests that strategy selection is less of a consideration for the investors.

Table 4.14

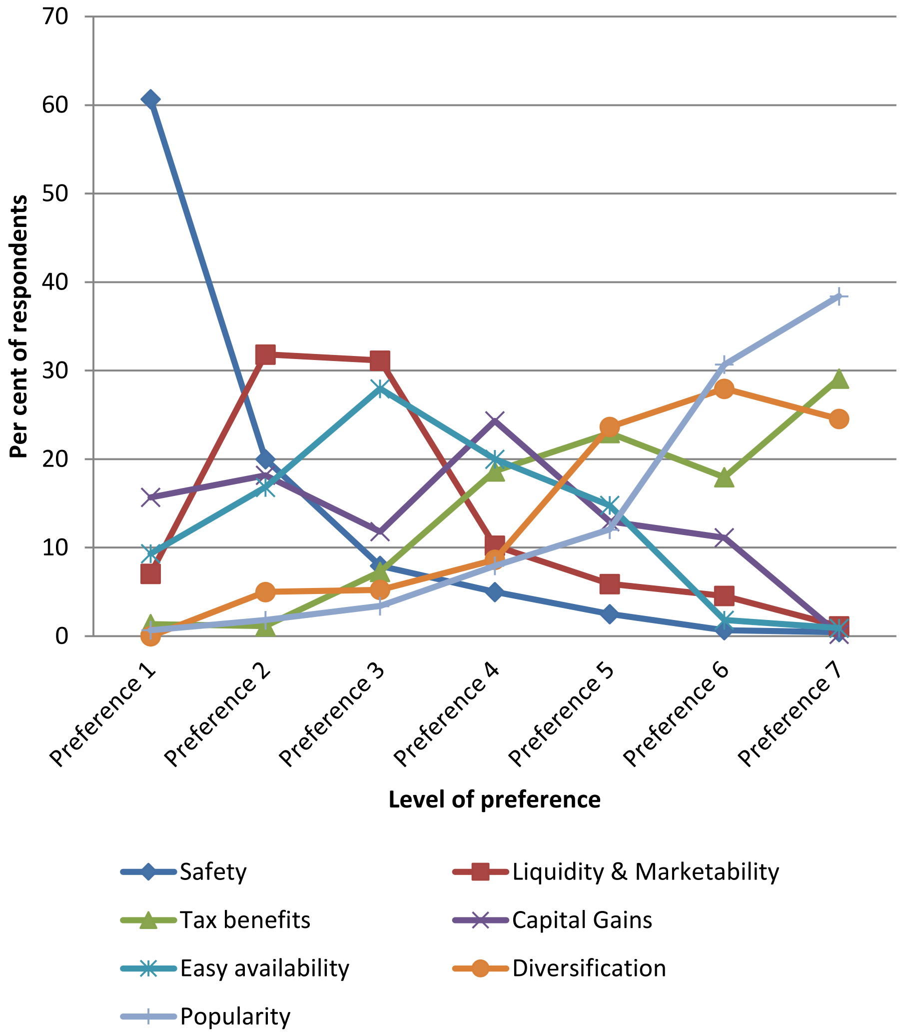
Ranking of investment objectives for selecting new instruments

Factors	Level of preference (1 highest and 7 lowest) 1 No. of respondents	1 Per cent	2 No. of respondents	2 Per cent	3 No. of respondents	3 Per cent	4 No. of respondents	4 Per cent	5 No. of respondents	5 Per cent	6 No. of respondents	6 Per cent	7 No. of respondents	7 Per cent	Weighted Score	Mean Score
Safety	267	60.68	88	20.00	35	7.95	22	5.00	11	2.50	3	0.68	2	0.45	2701	6.31
Liquidity & marketability	31	7.05	140	31.82	137	31.14	45	10.23	26	5.91	20	4.55	5	1.14	2045	5.06
Tax benefits	6	1.36	5	1.14	32	7.27	82	18.64	101	22.95	79	17.95	128	29.09	1149	2.65
Capital gains	69	15.68	80	18.18	52	11.82	107	24.32	57	12.95	49	11.14	1	0.23	1921	4.63
Easy availability	41	9.32	74	16.82	123	27.95	88	20.00	65	14.77	8	1.82	4	0.91	1913	4.75
Diversification	0	-	22	5.00	23	5.23	38	8.64	104	23.64	123	27.95	108	24.55	1065	2.55
Popularity	3	0.68	8	1.82	15	3.41	35	7.95	53	12.05	135	30.68	169	38.41	882	2.11
No response	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23		
TOTAL	440	100	440	100	440	100	440	100	440	100	440	100	440	100		

Source : Primary data

Chart 4.6

Ranking of investment objectives for selecting new instruments



Source : Primary data

Looking at Table 4.14 and Chart 4.6, it is seen that the most preferred investing motive was safety (with weighted score of 2710), followed by liquidity and marketability, capital gains, easy availability, tax benefits and so on. Taking their most preferred motive for selecting instruments for investment, 60.68 per cent of the respondents chose the safety of their money as their most important motive for investing, 15.68 per cent preferred capital gains, 9.32 per cent preferred easy availability while 7.05 per cent preferred liquidity and marketability. Among the factors affecting investment decision, popularity of instrument, diversification of portfolio and tax benefits were least preferred. It is clear from Chart 4.6 that safety of the investment was the clear choice (60.68 per cent) as the most preferred investment objective since a large gap (45 percentage points) is seen in between safety and its nearest choice (capital gains, 15.68 per cent).

4.4.2 Motives for saving money

There could be many motives/reasons for saving money as individual preferences differ and the environment of the investors differs for all investors. Social considerations, tax benefits, and provision for old age were the main reasons mentioned for saving in urban areas, whereas to provide for old age was the main reason in rural areas (Gavini and Athma, 1999). Maslow (1954) proposed, in his theory of human motivation, a hierarchy of five levels of needs and this hierarchical structure is determined by the gratification of such needs. Higher levels of needs do not dominate until the lower levels of needs are, to a certain extent, satisfied. Financial needs are one facet of human needs and can be revealed by saving motives and, hence, saving motives demonstrate a similar hierarchical structure as human needs, implying that the movement of household saving motives along the hierarchy is influenced by family financial resources (Xiao and Fan, 2002). Households' perception of saving motives, thus, is affected by the financial resources and their perceived utility received expected to receive from satisfying financial needs. Therefore, unsatisfied needs motivate households to mobilise financial resources such as savings to satisfy such needs. Many studies (e.g. Alessie et al., 1997; Fan et al., 1998; Harris et al., 2002, Xiao & Fan, 2002) suggests that household saving motives vary from country to country, which imply that differences in economic conditions and differences in cultures greatly affect saving motives of household investors.

Female household heads are more apt to save for their daily expenses while male household heads are more likely to save for their retirement, children, and capital growth (Xiao & Noring, 1994). On the effect of education on investors, Xiao and Fan (2002) found that among the American workers, investors who did not finish high school education save much lesser for their retirement than those with a college education. Also, individuals with higher educational levels were more likely to save for children's college than those with lower educational qualifications.

Using the *Survey of Consumer Finances* (1998-2007) in USA, Bucks et al (2009) revealed that the two most frequently reported saving motives were - saving for retirement and precautionary saving motives. The third most reported motive in all survey years, except in 2007 (when the frequency of the motive to save for purchasing household items exceeded that of the motive to save for education), was saving for education. Further, in Samuel et al (2012) it is seen that among the investors in Ghana, individuals save for various reasons with the most three important reasons being business (investment), old age and for peace of mind while they do not save for reasons such as leisure, children's marriage, own marriage and purchase of durable goods.

Table 4.15

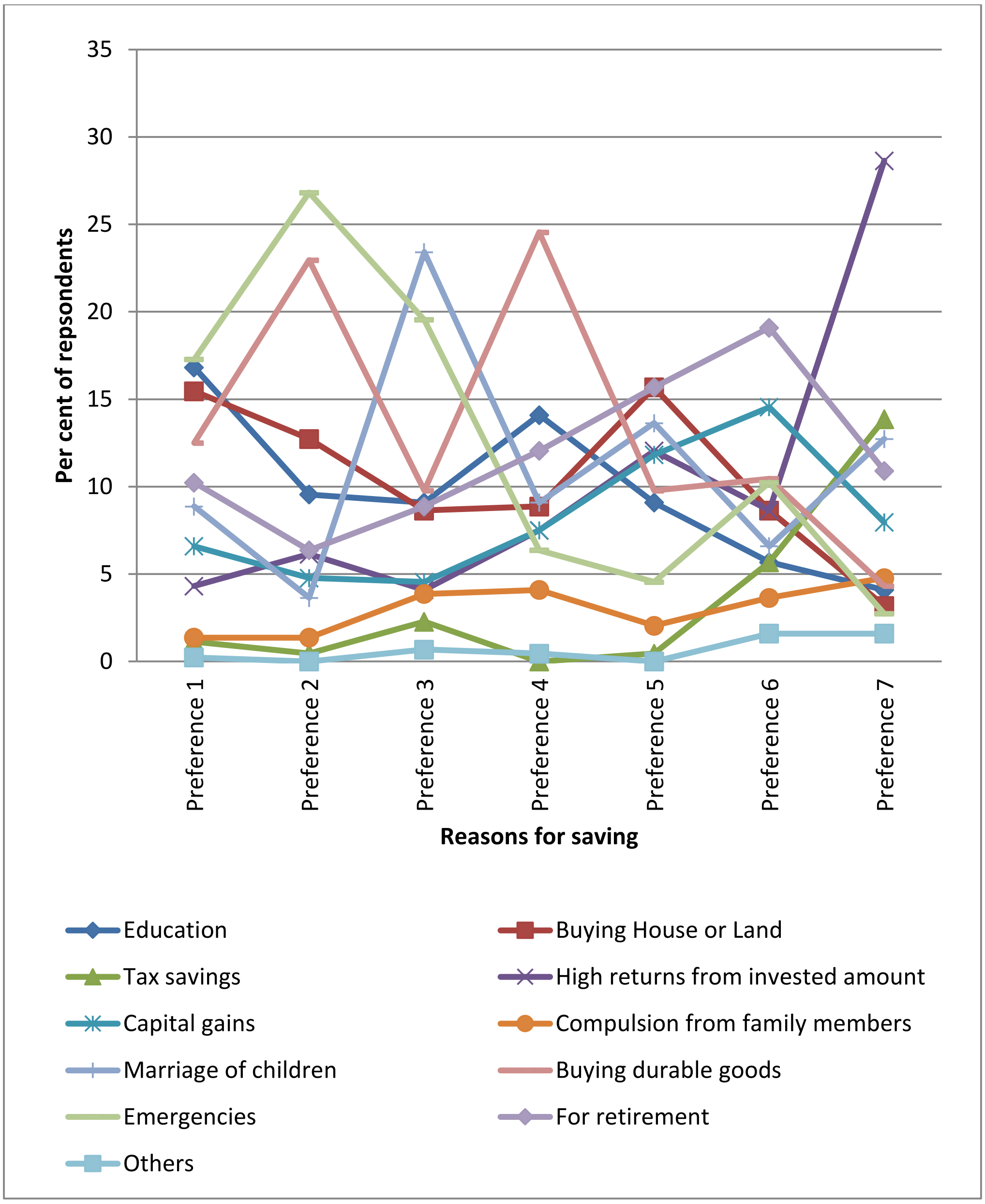
Ranking of respondents' motives for saving money

Motives	1: No. of respondents	1: Per cent	2: No. of respondents	2: Per cent	3: No. of respondents	3: Per cent	4: No. of respondents	4: Per cent	5: No. of respondents	5: Per cent	6: No. of respondents	6: Per cent	7: No. of respondents	7: Per cent	Weighted Score	Mean Score
	Level of preference (1 highest and 7 lowest)															
Emergencies	76	17.27	118	26.82	86	19.55	28	6.36	20	4.55	45	10.23	12	2.73	1944	5.05
Buying durable goods	55	12.50	101	22.95	43	9.77	108	24.55	43	9.77	46	10.45	19	4.32	1878	4.53
Buying House or Land	68	15.45	56	12.73	38	8.64	39	8.86	69	15.68	38	8.64	14	3.18	1455	4.52
Education	74	16.82	42	9.55	40	9.09	62	14.09	40	9.09	25	5.68	18	4.09	1406	4.67
Marriage of children	39	8.86	16	3.64	103	23.41	40	9.09	60	13.64	29	6.59	56	12.73	1338	3.90
For retirement	45	10.23	28	6.36	39	8.86	53	12.05	69	15.68	84	19.09	48	10.91	1313	3.59
Capital gains	29	6.59	21	4.77	20	4.55	33	7.50	52	11.82	64	14.55	35	7.95	880	3.46
High returns	19	4.32	27	6.14	18	4.09	33	7.50	53	12.05	38	8.64	126	28.64	878	2.80
Compulsion from family members	6	1.36	6	1.36	17	3.86	18	4.09	9	2.05	16	3.64	21	4.77	315	3.39
Tax savings	5	1.14	2	0.45	10	2.27	0	-	2	0.45	25	5.68	61	13.86	214	2.04
Others	1	0.23	0	-	3	0.68	2	0.45	0	-	7	1.59	7	1.59	51	2.55
No response	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	23	5.23	644	4.00
Total	440	100	440	100	440	100	439	100	440	100	440	100	440	100		

Source : Primary data

Chart 4.7

Ranking of respondents' motives for saving money



Source : Primary data

It is in this context that it is attempted to know the household investors' motives for saving money in the present study. It observed from the weighted score column of Table 4.15 that the respondents' most important motives for saving their money is to meet 'emergency expenses' (1,944), followed by 'buying durable goods' (1,878) and 'to buy house or land' (1,455). The respondents' first choice for saving money i.e. for emergencies is the same as that of the result found by Shukla (2010). The weighted score was calculated by assigning 7 points to first choice, 6 points to second choice, 5 points to third choice and so on. The least preferred motive for saving money was other motives (stated by the respondents) like for travelling outside the country, saving for charity/pilgrimage and non-inclination towards investments. Among the most preferred choice for saving money, 17.27 per cent of the respondents chose ‘emergency expenses’, 16.82 per cent chose ‘education’, 15.45 per cent chose ‘buying house or land’, 12.50 per cent chose ‘buying durable goods’, 10.23 per cent chose ‘retirement’, 6.59 per cent chose ‘growth of capital’, 8.86 per cent chose ‘marriage of children’ and 4.32 per cent chose ‘high return’.

From Chart 4.7, it is seen that the preference of the respondents for saving for emergencies, buying durable goods, marriage of children, education and high returns fluctuates much more than the others. The preference of the respondents for saving money for tax savings, compulsion from family members and ‘other motives’ remained more or less at the lower level throughout the preference levels.

Shukla (2010) noted that among urban Indians, 86.60 per cent saves for emergencies, 85.30 per cent saves for education of children, 73.90 per cent saves for old age, 60.10 per cent saves for social ceremonies, 51.50 per cent saves to buy or build house, 54.40 per cent saves to improve or enlarge business, 28.50 per cent saves to buy large consumer goods and 20.40 per cent saves for gifts/donation or pilgrimages. Further, among the urban Indians, savings is kept in the form of post office deposits by only 4.2 per cent, in the form of bank savings deposit by 62.60 per cent, in the form of cash at home by 23.40 per cent while 9.70 per cent Indians kept their savings in places other than those mentioned above.

Singh (2013) in his study of savings behaviour in Manipur found that 49.4 per cent saved money using formal means because they have financial ‘branches in the locality’ while 17.30 per cent saved due to high rate of interest, 11.10 per cent saved due to ‘availability of various schemes of savings’ and 22.20 per cent saved their money because they believed that the financial institutions offering saving deposits were ‘reliable and secure’.

4.4.3 Motives for investing in company securities

The United States Securities Exchange Act of 1934 defines a security as: "Any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral trust certificate, pre-organisation certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, any put, call, straddle, option, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited”.

In India, the Securities Contracts (Regulation) Act, 1956 defines security as - shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; derivative; units or any other instrument issued by any collective investment scheme to the investors in such schemes; Security receipt as defined in clause (zg) of section 2 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; units or any other such instrument issued to the investors under any mutual fund scheme.(Securities shall not include any unit linked insurance policy or scrips or any such instrument or unit, by whatever name called, which provides a combined benefit risk on the life of the persons and investment by such persons and issued by an insurer referred to in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938); any certificate or instrument (by whatever name called), issued to an investor by any issuer being a special purpose distinct entity which possesses any debt or receivable, including mortgage debt, assigned to such entity, and acknowledging beneficial interest of such investor in such debt or receivable, including mortgage debt, as the case may be; government securities; such other instruments as may be declared by the Central Government to be securities, and; rights or interest in securities.

In the context for this study, investment activities on only traditional securities issued by companies viz, equity shares, preference shares and debentures/bonds are covered.

The motives for investing in company securities such as equity shares, preference shares and company deposits/debentures are shown in Table 4.15. Since, the question itself implies answer from those respondents who invests only on company securities, only 44 household heads responded to this query. The motives mentioned in Table 4.15 from the most preferred motive taken from the weighted scores were - confidence in the ability of company's management (76), better return from past performance (63), involvement of small funds (37), more resources of fund to invest (36), easy access to proper information and advice (30), easy access and availability of instruments in Aizawl (13) and other motives viz, investment agent's advice, tips from trusted investment web-site and inquisitive nature/curiousness for experiencing the market (9). Among the most preferred motives for investing in company securities, confidence in the ability of company's management was the most preferred with 43.18 per cent of the respondents selecting it from the options; better return from past performance was selected by 38.6 per cent of the respondents among the second most preferred motives while easy access to proper information and advice was preferred by 40.91 per cent of the respondents among the third most preferred motives for investing in company securities.

Table 4.16

Ranking of respondents' motives for investing in company securities

Motivating Factors	Level of motivation (1 - highest; 3 - lowest)						Weighted score	Mean score
	1		2		3			
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent		
It yields better return	9	20.45	17	38.64	2	4.55	63	2.25
Easy access and availability of instruments in Aizawl	1	2.27	3	6.82	4	9.09	13	1.63
I have more funds to invest	4	9.09	9	20.45	6	13.64	36	1.89
Easy to get proper information and advice	2	4.55	3	6.82	18	40.91	30	1.30
Confidence in the ability of company's management	19	43.18	7	15.91	5	11.36	76	2.45
It involves small amount of funds	8	18.18	5	11.36	3	6.82	37	2.31
Other motives*	1	2.27	0		6	13.64	9	1.29
Column total	44	100	44	100	44	100		

Source: Primary data

*Other motives include investment agent's advice, investment website and inquisitive nature of respondent.

The *Indian Household Investors Survey* (2004) found that among the household investors, 81.74 per cent of them invested in equity shares, which is quite in contrast to the data found in Table 4.15 where only 10 per cent of the respondents invested in any kind of company securities, let alone taking equity shares aside.

Motwani (2013) in his study on infrequent small investors found that "such infrequent small investors do consider the fundamental determinants of a company (financial performance and policy, quality of management, governance, ethical practices, etc) before investments but their considerations are limited to easily understandable financial performance variables, generally needed and available information regarding company operations, fundamental reputation of company management and mere existence of corporate governance practices in the company".

Bennet et al (2011), in their study on retail investors in Tamil Nadu, reveal that majority of the sample retail investors took into consideration all the predetermined factors pointed out by the researchers before selecting the stocks to invest. Among the factors, 'return on equity', 'quality of management', 'return on investment', 'price to earnings ratio' and 'various ratios of the company' were the top five factors which influenced the investors in that order. Further, 'recommendation by analyst', 'broker and research report', 'recommended by friends, family and peers', 'geographical location of the company' and 'social responsibility of the company' have low influence on the stock selection decision by the retail investors in that order.

Table 4.17

Respondents' ranking of motives for not investing in company securities

Motives	Level of preference on factors (1 - highest; 3 - lowest)						Weighted score	Mean score
	1		2		3			
	No. of respondents	Per cent	No. of respondents	Per cent	No. of respondents	Per cent		
Lack of awareness	111	25.23	96	21.82	79	17.95	604	2.11
It is too risky	127	28.86	34	7.73	42	9.55	491	2.42
Lack of facilities for trading in Aizawl	36	8.18	89	20.23	12	2.73	298	2.18
Lack of required knowledge	24	5.45	46	10.45	99	22.50	263	1.56
Too much price volatility	4	0.91	48	10.91	32	7.27	140	1.67
It involves large amount of funds	23	5.23	8	1.82	40	9.09	125	1.76
Difficulty in getting proper information and advice	13	2.95	12	2.73	43	9.77	106	1.56
Fear of fraud and manipulation by companies	17	3.86	22	5.00	8	1.82	103	2.19
No response	85	19.32	85	19.32	85	19.32	510	2.00
Total	440	100	440	100	440	100		

Source: Primary data

As shown in Table 4.17, taking the weighted score, ‘lack of awareness’ was the most important motive for not investing in company securities while the risky nature of company securities was the second most important motive followed by ‘lack of trading facilities in Aizawl’, ‘lack of required knowledge’ and so on. The weighted score was calculated by assigning 3 points to first choice, 2 points to second choice and 1 point to the third choice. From the respondents’ first level of preference, 28.86 per cent of the respondents thought ‘it is too risky’, 25.23 per cent of the respondents chose ‘lack of awareness’, 8.18 per cent chose ‘lack of trading facilities in Aizawl’, 5.45 per cent chose ‘lack of required knowledge’, 5.23 per cent ‘it requires large amount of funds’, 3.86 per cent chose ‘fear of fraud and manipulation by companies’, 2.95 per cent chose ‘difficulty in getting proper information and advice’ and 0.91 per cent chose ‘too much volatility’ as their motive for not investing in company securities.

The *Indian Household Investors Survey* (2004) mentioned, in its remarks on investor education, that while schools throughout the U.S. have brought fantasy stock-picking into the classroom (The Stock Market Game sponsored by The Securities Industry Foundation for Economic Education) we still have yet to introduce investor education programmes in our school system. The present study also indicates that the main cause of the respondents staying away from company securities is due to their lack of awareness.

4.5 CONCLUSION

It is always disheartening to hear that someone known to us is a victim of a financial scam, especially of near relatives and close friends. Even though various laws with its rules and regulations towards of financial scams exists and stories of other people swindled off their money regularly crop up during our general conversations, con men always find someone to cheat. The propensity to be free of financial scams does not rely on the level of education of a person but on the person's penchant for cross examination of the financial products, its characteristics and the seller. In Mizoram, a far reaching education programme on financial literacy, especially towards fraud detection is the need of the hour.

Since the entry of financial instruments other than traditional instruments is quite recent, the experience level and confidence level of investors is relatively lower in Mizoram. This is reflected in their risk preference where more than half of the investors prefer to play safe with their money. Also, it is seen that a significant portion of the investors rely on the advice of others and not on their analysis and research on financial products while buying financial products. But, as the world is becoming more of a global village, more information will be in the hands of the investors thereby helping them in their shaping their investment for their future needs.

The motives of the investors towards investment greatly depend on important factors like past experiences, awareness level, easy access to instruments and so on. Such factors should be looked upon by financial intermediaries and sellers so as to sensitise potential investors in buying their financial products and thereby, indirectly increase capital formation in the economy. Focus on capital formation is kept at the utmost level by many nations, mainly developed ones, in such a way that various ingenious methods are constantly devised by them or other players of the financial market so as to keep their economy growing at a steady pace.

CHAPTER 5

EVALUATION AND SUGGESTIONS

This chapter aims to highlight the important findings from the preceding chapters and to provide suggestions based on the findings. The chapter also points out areas for further research for prospective researchers in the field of behavioural finance.

5.1 EVALUATION

5.1.1 Introduction

Chapter 1 deals with the basic concepts namely savings, investment, behavioural finance and household finance. It is attempted to give an overview of Indian financial system and a profile of Mizoram state. The review of literature, the statement of the problem, objectives of the study, and research methodology are also clarified in this chapter.

The savings at household sector which account for the bulk of gross savings are measured by the savings in total financial form and savings in physical assets. The savings in financial form include savings in currency, bank deposits, non-bank deposits, life insurance funds, provident and pension funds, claims on government, shares, debentures, units of UTI, mutual funds and trade debts. The currency and deposits are intentional savings and motivated by transactions and precautionary motives and are governed by income and other incentives. Savings in the form of life insurance, provident fund and pension fund are contractual savings governed by precautionary and contingency motives while the claims on government are compulsory deposits, tax credits and investment in government bonds, etc. Savings in the form of units, shares and debentures, etc. are intentional savings and are used, directly or indirectly, for investment in the business sector. For the calculation of domestic savings, the whole economy is broadly classified into three institutional sectors namely, (a) household sector (b) private corporate sector, and (c) public sector.

Investment is the exchange of the money or cash for a future claim on money or the purchase of a security or a promise to pay at a later date along with a regular income as in the case of a share, bond, debenture etc. Investments generally promote larger consumption in future as they lead to more income and larger capital appreciation in the years to come.

The investment purpose of households may be set out in terms of their savings for: (i) transactions purpose (for daily needs or regular payments), (ii) precautionary purposes (for contingencies or special needs) and, (iii) speculative or asset purposes (for capital gains and building of assets).

The uniqueness of behavioural finance is its integration and foundation of many different schools of thought and fields. Scholars, theorists, and practitioners of behavioural finance have backgrounds from a wide range of disciplines. The foundation of behavioural finance is an area based on an interdisciplinary approach including scholars from the social sciences and business schools. From the liberal arts perspective, this includes the fields of psychology, sociology, anthropology, economics and behavioural economics. On the business administration side, this covers areas such as management, marketing, finance, technology and accounting. When studying concepts of behavioural finance, traditional finance is still the centrepiece; however, the behavioural aspects of psychology and sociology are integral catalysts within this field of study. Therefore, the person studying behavioural finance must have a basic understanding of the concepts of psychology, sociology, and finance to become acquainted with overall concepts of behavioural finance.

The Indian financial system

The Indian financial system can be broadly classified into the formal (organised) financial system and the informal (unorganised) financial system. The formal financial system comes under the purview of the Ministry of Finance (MOF), Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Agency (IRDA) and other regulatory bodies.

Formal financial system consist of four segments, these are financial institutions, financial markets, financial instruments and financial services. Financial institutions are intermediaries that mobilise the savings and facilitate the allocation of funds in an efficient manner. Financial institutions are classified as banking and non banking financial institutions. Banking institutions are creator of credit while non-banking financial institutions are purveyors of credit. In India, non-banking financial institutions namely the Development Financial Institutions (DFIs) and Non Banking Financial Companies (NBFCs) as well as Housing Finance Companies (HFCs) are the major institutional purveyors of credit.

In India both savings and investment rates are growing but the cause of concern is where they are investing their savings. Investments in households have increasingly moved either to risk-free, government backed, fixed return, low yielding investment or non-financial assets. As per RBI report, only 6 percent of household savings was invested in equity, mutual funds and debentures in 2012-13.

Given the importance of securities market in the economy and the need of the economy to grow at the projected rate of six percent to eight percent per annum the authorities have been promoting the securities market as an engine of growth to provide an alternative but efficient means of resources mobilisation. Authorities have ushered in as much as ten special legislative interventions during the last decade to support the reforms in the securities market, which is the most reformed sector in the Indian economy today. It acquired the first ever autonomous regulator in India.

Mizoram – a profile

Mizoram is a small land locked state in the North East India occupying a total geographical area of 21,087 sq. km. It lies between 92.15° E to 93.29° E longitudes and 21.58° N to 24.35° N latitude. The state is bounded by Myanmar in the eastern and southern parts with 404 km international boundary, in the west it is bounded by Chittagong hill tracts of Bangladesh with 318 km international boundary and the state of Tripura with 66 kms inter state boundary, in the north is bounded by Cachar district of Assam with 123 km interstate boundary and also Manipur with 95 km interstate boundary (Exhibit 1.1).

As per the 2011 Census, Mizoram has a population of 10,91,014. Out of the total population, 5,52,339 are males and 5,38,675 are females. Aizawl district has the highest population with 36.7 per cent of the total population in the state whereas Serchhip district has the lowest population with only 6.1 per cent. The population of Mizoram is not only thinly distributed, but also unevenly distributed.

Aizawl, the capital of Mizoram, is situated in the northern part of the state. It has a population of 2,91,822 where 98.80 per cent of its inhabitants are literates (2011 Census). Aizawl, the largest city in Mizoram, is located north of the Tropic of Cancer in the northern part of Mizoram. It is located at 1,132 metres (3715 ft) above sea level, with the Tlawng river valley to its west and the Tuirial river valley to its east. Aizawl has a mild, sub-tropical climate due to its location and elevation. Aizawl features a humid subtropical climate but very rainy. In the summer the temperature ranges from 20–30 °C (68–86 °F), and in the winter 11–21 °C (52–70 °F). Aizawl is accessible by air (Lengpui airport) and by road (National Highway 54) from other parts of India but no railway connection is yet available (the nearest station being 184 kms away).

Aizawl is now under the management of the Aizawl Municipal Council (AMC) which started functioning in the year 2008. As per the AMC, there are 69 localities which are grouped into 19 wards. At present the major commercial banks in existence in Aizawl includes the State Bank of India (SBI), Vijaya Bank (VB), United Commercial Bank (UCO), Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI) Bank, Axis Bank, Mizoram Rural Bank (MRB), Mizoram Cooperative Apex Bank (MCAB), and Mizoram Urban Cooperative Bank (MUCO). As on 31.12.2013 there were 146 bank branches from the 23 banks functioning in Mizoram. The commercial banks provide finance to business and industry under various schemes, which can be classified into 4 (four) categories, namely - small scale industry advances (SSIs), small business finance (SBF), agricultural (AGL), and personal advances. In the insurance sector, Life Insurance Corporation of India (LIC), National Insurance Company, Birla Sun Life, Bajaj Allianz, ICICI Prudential, Max Life India, Tata AIG and United India Assurance are the main players. However, most of the banks have a single branch operating from the capital city of Aizawl only. Even today LIC is having a single branch located in Aizawl. Of late, few stock-broking agencies such as ICICI Securities, Angel Broking, Share Khan and Karvy Consultants along with some commercial banks have started their operations in Aizawl. The investors have also started showing interest in mutual fund investments.

Review of literature

Although considerable amount of work has been done in other parts of the country on investor behaviour, no significant work was carried out in this field in India's North East, especially after initiating the financial sector reforms in recent years. There has been no study exploring the behavioural dimensions of individual investors in the state of Mizoram. Precisely, the present study of household investor behaviour in Mizoram is an attempt to fill this research gap.

Statement of the problem

The dynamic nature of the financial sector in India and the world makes it an imperative endeavor to make more and more studies into the mind of the investors in respect to their socio-economic background, investment motives, preferences, habits and experiences. In general, individuals rarely share freely their financial information with others other than close friends and family members which makes the financial world in a cloud of secrecy in terms of understanding the investors' mindset.

The studies of household/individual investor behaviour have been conducted by certain national level agencies and individual researchers in India. However, such studies have been conducted either at a macro level or regional level. It becomes necessary to conduct such studies in economically backward regions such as the North East region as the region poses different challenges to the marketers of financial products. The studies relating to household investor behaviour in the North East are hard to come by focusing the analyses on the behavioural dimensions of investors. The literature survey in the context of the North East indicates the existence of a serious research gap in the area of investor behaviour. It may be because this region has been lagging behind in terms of development of financial and capital markets and investment culture due to obvious reasons such as geographical remoteness, industrial backwardness and low level of financial literacy and inclusion. Due to get-rich-quick attitude of some people in Mizoram, they suffered heavy loss of hard earned money from fake banks and other such illegal institutions in recent years. For example, there were big scandals like *Kar Khat* (one week) Bank or *Chiahpuam* (immersed and bloated; an expression in a Mizo language for a Ponzi scheme) involving hundreds of crores. It was an illegal mobilization of funds by promising even 50 per cent of interest. There was another case of investment to get-quick money which involved a minister to the tune of about ₹10 crore. The public money was invested in the name of his dear and near ones in a private insurance company. Some government officials also invested huge amounts in such schemes with a view to pocket interest amount. It is observed that after such scandals which occurred mostly around 2007 in Mizoram, people have become skeptical about investment of their hard earned money in financial products offered by players. On the other hand, the global financial crisis (since 2008) has started impacting the investment culture which is in the nascent stage in the small hilly state of Mizoram (Gyanendra Singh and Jyoti Kumar, 2013)

In Mizoram context, studies focusing the extent of investors' awareness on investment avenues, perception of investors, their risk tolerance, their portfolio and diversification of investments, and the problems faced by them as well as the marketers of financial products are scanty. A better understanding of the investors and their behaviour would enable the marketers of the financial products, regulatory bodies like SEBI and RBI, the governments and other concerned bodies in devising suitable financial education programmes, in designing appropriate financial products and in evolving better strategies in improving the investment culture in a remote, economically backward and tribal dominant region of the country. Therefore, the present study of household investor behaviour is a pioneering work which enters into the uncharted territory of the financial world in the state of Mizoram.

Objectives of the study

The main aim of the study is to explore and understand the household investor behaviour in Aizawl city, Mizoram. More specifically, the objectives of the research are as below:

1. To study the socio-economic characteristics of household investors in Aizawl city, Mizoram.
2. To study the degree of awareness, habits and preferences of household investors.
3. To examine the experiences, perceptions and motives of household investors and the factors influencing their investment behaviour.
4. To give suggestions, if any, for the melioration of the investment culture in Mizoram, with special reference to Aizawl city.

Methodology

The study is based on both primary and secondary data sources. However, primary data will provide foundation for the study.

The primary data is collected through a structured questionnaire (Annexure 1). Initially, pilot test was conducted on 50 investors to test the questionnaire and, accordingly, relevant changes were made in the instrument. The questionnaire consists of 6 parts: profile of the investor, awareness of the investor, preferences and habit of the investor, perception of the investor, experiences of the investor and, motive and factors influencing investment behaviour. Two separate schedules/questionnaires were printed in Mizo and English languages to suit the convenience of the respondents. Generally, they were contacted at their home during evening time when many family members were available as per the convenience of the family head. As the questionnaire contains questions seeking information relating to the financial products owned by the household, their experiences, and so on, it took nearly 2 hours time for covering each respondent.

440 household investors out of a total of 46,205 households in Aizawl city area (as per the Directorate of Urban Development and Poverty Alleviation, Govt. of Mizoram records in 2008) were selected as a sample for conducting the investor survey. The sample size for this purpose was taken at 95 per cent confidence level with a standard error level of 0.02375. For the purpose of identification of the respondents, all the areas of local councils under the Aizawl Municipal Corporation (AMC) have been taken. Care was taken to cover the respondents from all the areas under AMC. For selecting the household investors, the purposive sampling method was used with a view to approach those household respondents who have considerable disposable income to think of making investments in financial products. The purposive sampling technique is a type of non-probability sampling that is most effective when one needs to study a certain cultural domain with knowledgeable experts within. Purposive sampling may also be used for obtaining both qualitative and quantitative data. The inherent bias of the method contributes to its efficiency, and the method stays robust even when tested against random probability sampling. Choosing the purposive sample is fundamental to the quality of data gathered; thus, reliability and competence of the respondent must be ensured (Tongco, 2007).

In addition, as mentioned earlier, individuals like to keep their financial information to themselves and find it hard to share it with a complete stranger/researcher. Getting the right information remains an arduous task for every researcher delving into this area. Selecting the right investors could prove tricky as the there is the risk of over representation of certain investment products since a portfolio of an investor could not be pre-determined. This study is carried out in Aizawl city because it, being the capital of Mizoram and with a population of over 4 lakh, is a place where many households have more disposable income and, therefore, in a position to channelise a significant portion of their disposable income to investments.

The meaning of household for this study is taken from the definition made by the National Statistical Organisation (India) wherein a group of person normally living together and taking food from a common kitchen constitutes a household. The word 'normally' means that temporary visitors were excluded but temporary 'stay-aways' were included.

The secondary data was collected by consulting research papers from relevant journals available through journals, business magazines and web sites. Various reports were also referred on materials published by the Reserve Bank of India, Securities Exchange Board of India (SEBI), Ministry of Company Affairs, Organisation for Economic Cooperation and Development (OECD), NCAER, etc.

The primary data collected was entered into statistical software packages like SPSS and Microsoft Excel. Simple statistical analysis tools such as bi-variate matrix table, correlation, weighted scores and mean scores were also used.

Limitations of the study

As the study relies principally on primary data, it is a daunting task to acquire financial data from individuals. The questionnaire is designed to obtain relevant data on the investors but depends on the genuineness of the respondents in giving accurate response to the questions presented before them.

Annual reports, publications, surveys with varying sample sizes and proposed theories on behaviour of investors constitute the major source of the secondary data. The accuracy of the data depends on the truthfulness of the information presented in these data collected.

5.1.2 Socioeconomic Characteristics of the Household Investors

Chapter 2 attempts to analyse the socio-economic characteristics of the household investors in Aizawl city. This chapter and the subsequent two chapters are based on the primary information collected from 440 household investors in Aizawl city.

In this chapter, the socio-economic factors that could bring out best the profile of the respondents in line with the need to study the behaviour of the respondents is used. This chapter attempts to find out the characteristics of the respondents by their age, gender, marital status, religion, education, income, maturity, occupation, place of residence within the city, experience on income tax, level of control over investment and physical item in possession.

Age

The classification of household respondents based on the age group presented reveals that 13.18 per cent of the respondents were 30 years and below, 37.27 per cent were from the age group of 31-40 years, 32.05 per cent were from the age group of 41-

50 years, 14.55 per cent from the age group of 51-60 years and 2.95 per cent of the respondents were 61 years and above. This analysis shows that a majority of the investors are from the age group of 31-40 years while it keeps decreasing from that age group to a mere 0.68 per cent from the age group of 71 years and above.

Gender

Two third (66.38 per cent) of the respondents were males while females occupy one third (33.18 per cent) of the respondents. The Mizo society is a patriarchal one and, thus, the property is inherited by men in the family. The women of Mizoram are rather independent and hold a very important place in their family. Christianity and education opened new opportunities for Mizo women in the society but despite the increasing number of educated women, only a few of them holds top/important positions under the government and in politics.

Males and females from the age group of 31-40 years comprise the biggest portion (45.92 per cent for male respondents and 59.59 per cent for female respondents) among the age groups categorised for this study. It is quite interesting to know that even after the females occupy only 33 per cent of the total respondents, 23.29 per cent of female household heads were below the age of 30 years while there are only 8.16 per cent of male household heads were under the age of 30 years. From the high incidence of household head below the age of 40 years (50.35 per cent of respondents), we can assume that either the respondents immediately form nuclear families after their marriage or many of the respondents are living without/away from their parents.

Marital status

Over 70 per cent of the respondents were married, 20.23 per cent were unmarried and 8.87 per cent of the respondents were either widowed or divorced. The prejudice of the head of family being a married, widowed or divorced person in an ordinary Indian family is contrasted by the relatively high concentration of unmarried head of households under this study.

The married male respondents (74.36 per cent) far outnumbered the married female respondents (25.64 per cent). On the other hand, the widowed female respondents (68.18 per cent) far outnumbered the widowed male respondents (31.82 per cent). 42 female respondents which comprise 28.57 per cent were unmarried while 47 male respondents which comprise 16.04 per cent were unmarried. The head of household among widowed and divorced are much higher among the female respondents which could be deduced from the data that 17 per cent of female respondents were either widowed or divorced while and only 5 per cent of the male respondents were widowed or divorced. From various literatures we can easily deduce that younger women do not normally occupy the head position in their respective household. Upon further analysis of the data, 66.67 per cent of the widowed respondents are above the age of 40 years. This can be used to explain the relatively high incidence of widowed/divorced female respondent as the older they are, the higher will be their chance of automatically being the head of their household.

Religion and education

Over 97 per cent of the respondents were Christians, 2.27 per cent were Hindus and 0.45 per cent were Muslims.

The respondents having graduate degree occupy the biggest portion (37.95 per cent) while only 14.32 per cent of the respondents have education level of matriculate and below. Nearly one-third (33.64 per cent) of the respondents had education up to higher secondary level while the remaining two-third of the respondents (66.36 per cent) either have a graduate or a postgraduate degree. It is no surprise that the composition of graduates and postgraduates is quite high as this study is being made using purposive sampling method – on households who possess reasonable financial resources for investments, one way or the other, and also because the high literacy rate in Mizoram, especially in Aizawl.

Main stream of study

Over 71 per cent of the respondents were from the Arts stream, 9.28 per cent from the Science stream and only 6.37 per cent from Commerce stream. 10.88 per cent of the respondents were from professional courses other than management such as doctors, nurses, engineers and architects. A meagre 1.06 per cent of the respondents were from management course. The huge gap between Arts stream and the other streams of study may be due to the huge gap between educational institutions in Aizawl city offering Arts stream subjects and other institutions offering subjects other than Arts.

Among the different stream of studies, the relative age compositions of the respondents were 15.38 per cent for respondents of 30 years and below, 41.91 per cent from 31-40 years, 28.12 years from 41-50, 13.79 per cent from 51-60 years and 0.90 for 61 years and above. The age group of 41-10 years have the highest concentration of respondents from commerce (62.50 per cent), Science (60 per cent) and Arts (41.33 per cent) stream of study. Respondents from the age group of 31-40 years have the highest composition (41.91 per cent) among household heads with education degree from higher secondary level and above. It is quite interesting to see that all the 58 respondents from the age group of 30 years and below have an education degree from higher secondary level and above. This can imply that the average education level of the younger generations were relatively higher than that of the older generations.

Household income

The respondents having a monthly income of ₹50,001 and above constitute 19.55 per cent and, thereby, have the highest concentration of respondents among the income groups. The composition of respondents gradually increases from the lowest income group (up to ₹10,000 per month – 0 per cent) to the income group of ₹25,000 - 30,000 per month (15 per cent).

The income group of 31-40 years are the wealthiest among the respondents with 48 of them having a monthly income of ₹51,000 and above. The respondents from the income group of 31-40 years occupy the biggest composition in the income groups of ₹10,000-15,000, ₹20,001-25,000, ₹25,001-30,000, ₹35,001-40,000, ₹45,001-50,000 and ₹51,000 and above. Among the respondents, household income of the higher income groups does not correspondingly increases with age as it is illustrated that age group of 61-70 years and 71 years and above representation is less significant in the higher income groups.

Number of adults in household

Only 0.68 per cent of the respondents have one adult in their household, 23.86 per cent have two adults, 21.36 per cent have three adults, 15.91 per cent have four adults and 34.77 per cent of the respondents have more than four adults in their household.

Number of children in household

Over 15 per cent of the respondents have one child, 26.59 per cent have two children, 19.09 per cent have three children, 5.45 per cent have four children, and 2.27 per cent have more than four children. Furthermore, it was found that 31.14 per cent of the respondents have no children in their household.

Number of earning adults in household

Over 22 per cent of the respondents belong to single income households, 36.14 per cent belong to double income households, and 19.09 per cent belong to triple income households. Nearly 23 per cent of the respondents have four or more than four earning adults in their household. Majority of earning adults from their respective income level were monthly income of ₹25,001-30,000 for one earning adult and monthly income of ₹50,001 and above for more than one earning adults. The households having two earning adults occupy the biggest portion (36.14 per cent) among the households while the income group of 50,001 and above occupies the biggest portion (19.55 per cent) among the sample households.

Place of residence in Aizawl city

The respondents from Aizawl West and Aizawl North constitute 26.59 per cent at 22.27 per cent respectively. In Aizawl East, about half of the respondents have a monthly income between ₹15,001 and ₹30,000. In Aizawl West, 19 per cent of the respondents have a monthly income of 50,001 and above while 52 per cent of the respondents have a monthly income between ₹20,001 and ₹40,000. In Aizawl North 45 per cent of the respondents have a monthly income between ₹20,001 and ₹35,000. 72 per cent of the respondents living in Aizawl Central have a monthly income of ₹30,000 and above and 31 per cent of the respondents have a monthly income of above ₹50,001.

Thus, the respondents from Aizawl Central have relatively higher monthly income compared to other respondents from other areas.

Possession of pan card

Over 57 per cent of the respondents have possessed PAN while 28.41 per cent have not possessed PAN card. About five per cent of the respondents expressed that they are currently plying for the card.

Items in possession

Over 87 per cent have LPG connection, 94.09 per cent have at least a television set, 91.36 have a refrigerator, 87.73 have washing machine, 84.09 have computer, 40.23 have a four wheeler vehicle, 68.86 have a two wheeler vehicle, 68.64 have own a piece of land in their name, 68.18 have their own house. It is quite interesting that the ownership of an LPG, an item which is considered a necessity in a city like Aizawl, is lower than the ownership of television.

5.1.3 Awareness, habits and preferences of household investors

Chapter 3 has the objective of finding the intensity and level of awareness along with the preferences and habits of household investors in Aizawl city.

Awareness level

Fixed deposits (65.45 per cent), savings deposits (60.68 per cent) and life insurance (66.36 per cent) are known quite well by the majority of the respondents whereas that the awareness level of respondents on the other investment terms were relatively low. Over 70 per cent of the respondents does not know about Dalal Street, demat account, bullion, Wall Street, equity linked savings schemes, debentures, equity shares, BSE SENSEX, unit linked policy and futures and options. Taking the total responses taken from all the awareness level of investment terms, 22.11 per cent of the respondents 'know well' at least one investment term, 12.64 per cent 'somewhat know' while 58.89 per cent of the responses fall in the 'don't know' category. This indicates a very low general awareness level of common investment terms among the investors in Aizawl city. The low level of awareness in case of investment terms other than fixed deposits, savings deposits and life insurance related investments could be attributed to dismal marketing strategies of investment institutions as well as that of ineffectual financial literacy programmes of organizations involved in the investment sector.

Awareness on investment agencies

Only State Bank of India (43.18 per cent) has got the recognition of a 'very well known' financial institution. Industrial Credit and Investment Corporation of India (ICICI) Bank (27.73 per cent), Mizoram Rural Bank (MRB) (37.64 per cent) and Mizoram Co-operative APEX Bank (36.14 per cent) has got the second highest knowledge level from the respondents. All the other investment institutions, legal and illegal ones, other than the four institutions mentioned above were at the least known level.

Age of respondents when they made their first investment

Among the respondents, only 4.55 per cent made their first investment when they were below 18 years, 30 per cent made it between 18-25 years, 49.77 per cent made it between 26-35 years, 11.59 per cent made it between 36-45 years and 0.68 per cent made their first investment at the age of 45 years and above. From the data it seen that the majority of the respondents started investing from the age of 18-35 years (79.77 per cent).

The majority of respondents below 30 years (46.55 per cent) and respondents between 31-40 years (46.95 per cent) started investing from the age of 18-25 years while a majority of respondents above the age of 40 years started investing their money when they were 26-35 years. This indicates that the younger generation i.e respondents below the age of 40 started a little earlier than the older generations (above 40 years). This could be attributed to factors such as higher income, improved access to financial investment avenues and more financial information/education available for the younger generations.

Habit of teaching children about savings and investment

Nearly half of the respondents have the habit of teaching their children about saving and investment while one fourth of the respondents admitted that they did not possess such a habit. One fifth of the respondents could not give a definite response (can't say) or were not applicable for them; the main reason being that 89 (20.23 per cent) of the respondents were unmarried household heads.

Preferred methods of teaching children about savings and investments

The mean scores from all the methods used for teaching children about savings and investments did not cross 3, which indicates that the preference for teaching methods used were fairly dispersed among the respondents. Among the most preferred methods, 32.04 per cent of the respondents choose to discuss financial matters with their children while 19.9 per cent consulted their children in their investment decision, 13.11 per cent involved them in family business activities, 10.19 per cent used other methods (like playing monopoly games with them, buying them a ‘piggy bank’ or money boxes and giving them allowances after they performed a certain task), 7.77 per cent prefer to encourage their children to read business magazines and relevant literatures and the rest, 11.66 per cent preferred to either encourage their children to opt for commerce education or encourage them to surf the internet for information or encouraged them to view business programmes on television. Based on the ranking from the weighted scores, the most preferred method was to discuss financial matters with their children, the second most preferred was to consult their children in their investment decisions and the third most preferred method was to involve them in family business activities. The least preferred method was that of encouraging their children to view business programmes on television.

Risk preference

More than half of the respondents i.e. 53.41 per cent choose medium risk level. Among the others, 3.36 preferred high risk level, 12.05 per cent preferred little high risk level, 13.86 per cent preferred little low risk level and 13.41 per cent preferred low risk level. A majority of respondents from all the age groups chose medium level of risk preference. The correlation between high risk preference and age was -0.756 which is quite significant and inversely correlated. This means that lower age groups had the higher probability of having a high risk preference and as the age group progresses higher and higher, the risk preference level tends to go down.

The majority of the respondents from the entire income groups preferred medium risk level for their investment. The correlation between the income groups and the high risk level showed a very low correlation level at 0.115372 which implied that higher income groups doesn’t necessarily have higher risk preference. Over 58 per cent of the respondents preferring high risk level comes from the ₹30,001-35,000 income group. Even though 51.16 per cent of the respondents belonging to the highest income group i.e. ₹50,001 and above, were having a medium risk level preference, taking risk level as the independent factor, among those preferring low risk level, the highest income group make up 30.51 per cent.

Present preference of investment instrument

Fixed deposits was the most preferred investment choice followed by life insurance, real estate, provident funds and small saving schemes. An intriguing analysis is that even though it was seen that there were 66 respondents who invested in mutual funds only 9 respondents preferred it the most. This non-preference behaviour may be attributed to the dismal performance of mutual funds as a result of the world economic crisis which occurred during the data collection phase of this study.

Allocation of a notional sum of ₹5,00,000

The respondents invested heavily on the products that they were quite acquainted with. The allocation of money among the selected instruments which was between ₹50,001 to ₹1,00,000 was seen to be the most preferred proportion on investment. From among all the sample households, small saving schemes, fixed bank deposits, post office deposits, life insurance products, retirement plans, children benefit plans and provident funds; more than 20 per cent of the respondents allocate a certain amount of their money in it. This is more or less identical with the findings from the present portfolio of the respondents.

Financial asset of the investors

Over 10 per cent of the respondents do not save, 44.55 per cent of the respondents save up to 10 per cent of their income, 21.14 per cent of the respondents save 11-20 per cent, 11.36 per cent of the respondents save 21-30 per cent, 2.05 per cent of the respondents save 3-40 per cent and 2.50 per cent of the respondents save more than 41 per cent of their income. The saving habit is far lower than the national Gross Domestic Household Savings rate of 22.3 per cent for the year 2012-13.

Present portfolio of the respondents

Small saving schemes (94.32 per cent), fixed deposits (32.73 per cent), post office deposits (22.05 per cent), life insurance schemes (84.77 per cent), children benefit plans (22.73 per cent), provident funds (22.05 per cent), NBFCs (42.73 per cent) and bullions (45.91) were those instruments where the respondents kept more than 20 per cent of their financial wealth from their portfolio. Taking the highest proportion occupied by the instruments on the predetermined classes of portfolio percentages, 39.09 per cent of the respondents kept less than 10 per cent of their total portfolio on savings deposits, 30.68 per cent of the respondents kept 11-20 per cent of their total portfolio in life insurance schemes, 24.77 per cent of the respondents kept 21-40 per cent of their total portfolio on savings deposits, 5.91 per cent of the respondents kept 41-50 per cent of their total portfolio on fixed deposits and 10.91 per cent of the respondents kept 51 per cent and above of their total portfolio in retirement plan schemes. No investment was done on futures and options by the respondents. It may be implied that the relatively recent entry of ‘futures and options’ as an investment instrument in India and the low awareness level could be the reason for the respondents not having any investment under these instruments.

The respondents did not perceive real estate investment as a synonym of owning land or a house. Only 11.36 per cent of the investors reported that they had real estate investment while in another table it is clearly shown that more than 68 per cent of the respondents have either a land or a house. Over 42 per cent and 22.05 per cent of the respondents had provident fund investment and pension benefit plan, respectively.

Investment in insurance schemes

Over 58 per cent of the respondents bought life insurance products from the Life Insurance Corporation of India (LICI), 44.55 per cent bought life insurance products from private insurance companies and 9.55 per cent of the respondents did not have any life insurance in their financial portfolio basket. It is quite intriguing to note that from the respondents (head of household) who had the ability and awareness to make an investment, there are still 9.55 per cent of them who did not possess any life insurance product in their name. In general financial education instructions, the first step in investment involves the buying of insurance products which these 9.55 per cent of the respondents did not care or were aware to follow at all.

Investment in Mutual Funds

Over 4 per cent of the respondents invested only in private sector mutual funds, 8.64 per cent of the respondents invested only in public sector mutual funds and 3.41 per cent of the respondents invested in both the private and public sector mutual funds. The stark difference (public sector investment nearly the double of private sector investment) between the private and public sector investment could be attributed to the early entry of public sector mutual funds in Aizawl. UTI, which was set up in 1963 was the first mutual fund to be available in Aizawl city.

5.1.4 Experiences, Motives and Perceptions of Household Investors

Chapter 4 attempts to study the experiences faced by the household investors especially in the context of the financial frauds that occurred in Mizoram, and their investment motives as well as their perceptions on various issues.

Experiences of respondents as a financial scam victim

Over 17 per cent respondents admitted that they were indeed a victim of financial fraud/scam. Before the year 2000 only 20 of the respondents were a victim of financial fraud/scam. Among the 20 respondents, the components of investment instruments were 55 per cent under life insurance schemes, 5 per cent under company deposits and 40 per cent under NBFC. After the year 2000, the composition of respondents on their experience as a victim of financial fraud were as 9.09 per cent on small savings scheme, 3.64 on fixed deposits, 18.18 on life insurance schemes, 5.45 on company deposits, 3.64 on cooperative society deposits, 10.91 on NBFCs and 49.09 on 'One Week Bank' (*Kar Khat* Bank[3] or '*Chiahpuam Bank*'). The focus of the fraud shifted from insurance related frauds (55 per cent) before 2000 AD to NBFC related frauds (60 per cent - 10.91 per cent from NBFCs plus 49.09 per cent from One Week Bank) after 2000 AD. The high concentration of victims under the *Chiahpuam* Bank i.e. 49.09 per cent of the victims after 2000 AD is not surprising, considering the towering magnitude of the scam in relation to the population of Mizoram. More than 17 per cent of the respondents were, at least, once a victim of financial scam. Taking the educational level of these respondents, 20 per cent were matriculates and below, 17.33 per cent studied up to higher secondary level, 36 per cent studied up to graduation level while 26.67 per cent were post-graduates. Comparing the number of respondents who were victims of financial scams with the total respondents, 3.41 per cent were matriculates and below, 2.95 per cent studied up to higher secondary level, 6.14 per cent were graduates and 4.55 per cent were post-graduates. The correlation level of the percentage of the respondents experiencing financial scams with their education level was 0.60, which indicated that there was a considerable positive correlation between the number of financial scam victims and their educational level. This shows that respondents with higher education level were slightly prone to financial scams than those with lower educational qualifications. High incidences of scams were prevalent in life insurance schemes and NBFCs including *Kar Khat Bank* while the section of respondents from other instruments like small savings schemes, fixed bank deposits, company deposits and cooperative society deposits tend to be below 20 per cent.

Effect of investment behaviour by the recent global financial crisis

Only 2.05 per cent of the respondents felt that they were very much affected by the global financial crisis in 2008 while 33.64 per cent felt that they were somehow affected and nearly 60 per cent felt that they were not affected. The data implicates that more than half of the investors perceive that the economic downturn has not affected them at all. This may be mainly due to the fact that only a small section of the respondents invested in equity shares, mutual funds and other instruments which are connected with the volatile shares market, which in turn was greatly affected by the world financial crisis.

Advice given to potential investors

Over 4 per cent had fully helped, 35.91 per cent had partly helped while 54.55 per cent of the respondents had not yet helped a potential investor in making investment decision. The high incidence of respondents not being able to help potential investors may be in concurrence with the low level of awareness of the respondents on even common investment terms.

Source of assistance

Over 37 per cent received assistance from friends, 29.09 per cent from family, 25.91 per cent from the Internet/software, 16.14 per cent from peers, 15.45 per cent from investment advisers, 14.09 per cent from relatives while 19.09 per cent of the respondents received no assistance from any of these sources when they invest. There were 330 respondents who received assistance from any source, 84 respondents did not receive any assistance while 26 respondents made no response to the question.

How investors perceive of themselves as sensible investors

Over 17 per cent completely agreed, 34.77 per cent agreed, 33.18 neither agreed nor disagreed, 6.14 per cent disagreed and 2.95 per cent completely disagreed. This shows that half (52.50 per cent) of the respondents agreed that they were sensible investors while one third of the respondents could not make up their mind. Further analysing in terms of age on the level of agreement of respondents on the issue of calling themselves a sensible investor, Table 4.8 and Chart 4.2 shows that among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were sensible investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and 2.44 per cent completely disagreed that they were sensible investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were sensible investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were sensible investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were sensible investors. Among the respondents from the age of 71 years and above, two third of the respondents agreed completely while one third agreed that they were sensible investors. The higher age groups generally are more confident by stating that they consider themselves as sensible investors. It can be inferred that respondents with an income of ₹10,000 and below and ₹35,001-40,000 were more confident than the other income groups.

How investors perceive themselves as experienced investors

Among the respondents, 14.32 per cent of considered themselves to be experienced investor, 40.91 per cent did not consider themselves as experienced investors while 39.55 per cent could not make out whether they were experienced or an inexperienced investors. Only a small segment of the respondents consider themselves to be experienced in investing their money, it may be inferred that even though half of the respondents considered themselves as sensible investors, their self consciousness on the experience level in the field of investment was rather low. Among the respondents aged up to 30 years, 10.34 per cent agreed completely, 29.31 per cent agreed, 34.48 per cent neither agreed nor disagreed, 3.45 per cent disagreed and 5.17 per cent completely disagreed that they were experienced investors. Among the respondents aged between 31-40 years, 17.68 per cent agreed completely, 38.41 per cent agreed, 23.17 per cent neither agreed nor disagreed, 12.20 per cent disagreed and

2.44 per cent completely disagreed that they were experienced investors. Among the respondents aged between 41-50 years, 18.44 per cent agreed completely, 34.75 per cent agreed, 39.01 per cent neither agreed nor disagreed, 2.13 per cent disagreed and 4.26 per cent completely disagreed that they were experienced investors. Among the respondents aged between 51-60 years, 15.63 per cent agreed completely, 28.13 per cent agreed, 51.56 per cent neither agreed nor disagreed and 3.13 per cent disagreed that they were experienced investors. Among the respondents aged between 61-70 years, half of them agreed completely while the other half agreed that they were experienced investors. Except for respondents from the income group of ₹35,001-40,000 where 29.41 per cent agreed that they were indeed experienced investors, respondents who agreed that they were experienced constituted less than 20 per cent of the respondents on all the other income groups.

Investment objectives for selecting new instruments

The most preferred investing motive was safety (with weighted score of 2710), followed by liquidity and marketability, capital gains, easy availability, tax benefits and so on. Taking their most preferred motive for selecting instruments for investment, 60.68 per cent of the respondents chose the safety of their money as their most important motive for investing, 15.68 per cent preferred capital gains, 9.32 per cent preferred easy availability while 7.05 per cent preferred liquidity and marketability. Among the factors affecting investment decision, popularity of instrument, diversification of portfolio and tax benefits were least preferred. Safety of the investment was the clear choice (60.68 per cent) as the most preferred investment objective since a large gap (45 percentage points) is seen in between safety and its nearest choice (capital gains, 15.68 per cent).

Motives for saving money

Among the respondents, the most important motives for saving their money is to meet ‘emergency expenses’ (1,944), followed by ‘buying durable goods’ (1,878) and ‘to buy house or land’ (1,455). The least preferred motives for saving money was other motives (stated by the respondents) like for travelling outside the country, saving for charity/pilgrimage and non-inclination towards investments. Among the most preferred choice for saving money, 17.27 per cent of the respondents chose ‘emergency expenses’, 16.82 per cent chose ‘education’, 15.45 per cent chose ‘buying house or land’, 12.50 per cent chose ‘buying durable goods’, 10.23 per cent chose ‘retirement’, 6.59 per cent chose ‘growth of capital’, 8.86 per cent chose ‘marriage of children’ and 4.32 per cent chose ‘high return’. The preference of the respondents for saving for emergencies, buying durable goods, marriage of children, education and high returns fluctuates much more than the others. The preference of the respondents for saving money for tax savings, compulsion from family members and ‘other motives’ remained more or less at the lower level throughout the preference levels.

Investment in company securities

Only 44 households invested in equity instruments. Their motives for investing in equity instruments in order of preference were - confidence in the ability of company’s management, better return from past performance, involvement of small funds, more resources of fund to invest, easy access to proper information and advice, easy access and availability of instruments in Aizawl and other motives viz, investment agent’s advice, tips from trusted investment web-site and inquisitive nature/curiousness for experiencing the market. Among the most preferred motives for investing in company securities, confidence in the ability of company’s management was the most preferred with 43.18 per cent of the respondents selecting it from the options; better return from past performance was selected by 38.6 per cent of the respondents among the second most preferred motives while easy access to proper information and advice was preferred by 40.91 per cent of the respondents among the third most preferred motives for investing in company securities.

‘Lack of awareness’ was the most important motive for not investing in company securities while the risky nature of company securities was the second most important motive followed by ‘lack of trading facilities in Aizawl’, ‘lack of required knowledge’ and so on. From the respondents’ first level of preference, 28.86 per cent of the respondents thought ‘it is too risky’, 25.23 per cent of the respondents chose ‘lack of awareness’, 8.18 per cent chose ‘lack of trading facilities in Aizawl’, 5.45 per cent chose ‘lack of required knowledge’, 5.23 per cent ‘it requires large amount of funds’, 3.86 per cent chose ‘fear of fraud and manipulation by companies’, 2.95 per cent chose ‘difficulty in getting proper information and advice’ and 0.91 per cent chose ‘too much volatility’ as their motive for not investing in company securities.

5.2 SUGGESTIONS

- It is suggested to the state government to implement a scheme where the citizens have opportunity to access financial education programmes and information through books, pamphlets and audio-visual media. In order to encourage investment among the people living in Aizawl city, steps have to be taken in integrating financial education from higher secondary education level and thereby, sensitise the youths in securing their future through investments.
- It is found that the awareness level of investment products connected with securities markets were very low. Hence, it is suggested that banks and other

financial institutions should take a concerted effort in attracting potential investors by giving more information through their own channels.

- Providing and fostering financial education to children is, now-a-days, an essential part of a modern family life. It is suggested that more savings and investment education programmes should be integrated into the syllabus of school children as it has been done in many developed as well as developing countries.
- On the side of the parents, it is suggested that parents should take more effort to provide allowances to their children while making them take active part in maintaining a savings deposit account in a recognised bank. Also, parents should try to make adolescents manage a small part of their income and give them a valuable experience for their future.
- As financial scams were frequently seen in the past, the investigative department of the government should make more effort in tackling fake financial products or firms and evolve a way in which these fake products or firms could be easily identified by potential investors. Further, the government and RBI need to be proactive in preventing the establishment of bogus non-banking financial firms.
- People involved in the selling of mutual funds and organisations/persons concerned with the education of potential investors should take more effort in educating people about mutual fund investment and its benefits. Mutual funds should be kept at the reach of potential buyers and simpler buying system should be enforced. In a state like Mizoram where a majority of the population does not possess a Permanent Account Number (PAN) Card (the reason being that tribals living in Mizoram are exempted from paying income tax as per Section 10 (26) of the Income Tax Act, 1961; hence, use of PAN card is seldom necessary for

residents of Mizoram) which is a vital ingredient for buying mutual funds, concerted effort should be taken by financial institutions as well as the government in attracting people towards mutual fund investment schemes.

- Active participation in the SEBI Financial Education Resource Person certification programmes should be encouraged among faculties in commerce and economics departments at colleges. As the certified SEBI Financial Education Resource Persons have the obligation to make at least 12 seminars/programmes in a financial year, more persons involving in it will mean that more programmes are organised and thereby expanding the knowledge of the masses on financial information.
- The investor association under the Mizoram Consumer Union, which is recognised by SEBI, should take more active role in educating their members as well as the general population so that more and more money is being invested and capital accumulation starts to build up in the economy.
- It is suggested that more investor associations be formed by the residents of Aizawl city so as to foster better competition among the financial players and have more voice in enhancing services of financial institutions towards their customers. **The formation of investor associations would enable many individuals and groups to defend their rights and negotiate better deals towards their investments.**

5.3 SUGGESTED AREAS FOR FURTHER STUDIES

There is ample scope for conducting further research in the field of investor behaviour. The prospective researchers may undertake their research in the following related areas:

- Financial scams, nature, factors and impact.
- Financial literacy in respect of specific occupational groups and regions.
- Financial inclusion in respect of vulnerable section of society.
- Marketing of financial products.
- Comparative studies in respect of savings and investment habits of investors in different states/regions.
- History of financial markets in Mizoram.
- Market development and market penetration strategies adopted by the marketers of financial products.
- Herding behaviour in Indian stock market.
- Impact of marketing efforts on investor behaviour.
- Dynamics of investor satisfaction on investments, etc.
- Comparative studies between different occupational groups.
- Comparative studies between urban and rural investors.
- Comparative studies between North East states, and other states.
- Working and functioning of NBFCs.
- Comparative studies between the marketers of financial products, belonging to public sector and private sector.
- Savings and investment habits of individual investors.
- Effect of marriage on investment habits.

5.4 CONCLUSION

Mizoram is a state where laws and rules to be followed are easily enforced, especially with the backing of the powerful church and leading NGOs. New trends on fashion, outlook (religious as well as political) and information travel fast and easily reach every nooks and cranny of this small state. Aizawl, being the capital of this state is usually the centre of the new ‘things’ that happen in the state. In the context of household investment it is necessary for the residents of Aizawl city to take the first step towards the enhancement of investor rights and negotiate better services for investors/customers of financial institutions.

The rising income of the youth coupled with their increase of relevant financial information within their reach, have to be sensitised in making useful investment through capital formation for the betterment of their future, the state as well as that of the nation. The importance of capital formation should be recognised and the enhancement of its outcome should be acknowledged by the financial intermediaries, institutions and the state government. The means in which higher capital formation is to be attained should be pursued with great fervour by these financial players and regulators so that our future may become more secured and established. In return, as a result of better economy, household income will rise and will fuel the needs of the financial players through taxes and investments.

The prevalence of financial scams at all levels should be kept at bay through financial literacy programmes. It is considered that the legislations and laws be more up-to-date so as to tackle flaws that may arise upon the introduction of new financial products. Financial scams in NBFCs are most prevalent in Mizoram. This problem could be solved with the prompt action from the part of the investigating departments, which is not so from previous experiences.

Last, but not the least, as the Latin word ‘caveat emptor’ (let the buyer beware) clearly denoted, it is the duty of the buyer to be aware of what he/she is buying. Many a times, it is seen that investors put their hard earned money in a product that they knew little of and solely relies on the advice of others who themselves are no expert in the field of finance. Many financial scam victims are the sufferers of their own indolent and hasty decisions. They take no effort to read the fine lines where the most important part of investment lies. Therefore, households should integrate financial education process in their own homes and educate themselves of the basic skills and knowledge needed for investing towards the enhancement of their future.

Annexure 1

QUESTIONNAIRE FOR HOUSEHOLD INVESTORS

I – PROFILE OF THE INVESTOR

1. Age		
a	Below 30	
b	31 – 40	
c	41 – 50	
d	51 – 60	
e	61 – 70	
f	71 and above	

2. Sex		
a	Male	
b	Female	

3. Marital Status		
a	Married	
b	Unmarried	
c	Widowed	
d	Divorced	

4. Religion		
a	Hindu	
b	Muslim	
c	Christian	
d	Others (please specify) :________________	

5. Education level of respondent		
a	Below matriculate	
b	Higher Secondary	
c	Graduate	
d	Post Graduate	
e	Illiterate	

6. If Higher Secondary and above, stream of study		
a	Main stream - Commerce	
b	Main stream - Science	
c	Main stream - Arts	
d	Professional courses other than mgmt	
e	Management	
f	Others (please specify): ________________	

7. Household monthly income		
a	Below 5,000	
b	5,001 – 10,000	
c	10,001 – 15,000	
d	15,001 – 20,000	
e	20,001 – 25,000	
f	25,001 – 30,000	
g	30,001 – 35,000	
h	35,001 – 40,000	
i	40,001 – 45,000	
j	45,001 – 50,000	
k	50,001 and above	

8. Number of adults (above 18years) in household		
a	One	
b	Two	
c	Three	
d	Four	
e	Above four	

9. Number of children (below 18 years) in household		
a	One	
b	Two	
c	Three	
d	Four	
e	Above four	

10. Number of earning adults		
a	One	
b	Two	
c	Three	
d	Four	
e	Above four	

11. Occupation of the head of household		
a	Vocational employment	
b	Full time salaried – Private	
c	Full time salaried – Government	
d	Business	
e	Retired	
f	Agriculture	
g	Unemployed	

12. Residence in Aizawl (Veng)

13. Do you have Permanent Account Number (PAN)?		
a	Yes	
b	No	
c	Has applied	

17. Are you the person responsible for making investment decisions?		
a	Yes, mostly all of the decisions	
b	Yes, but in consultation with others	
c	Sometimes	
d	Never	

14. Have you paid Income Tax before?		
a	Yes	
b	No	

15. If yes, how many times have you filed your income tax return?

16. If NO, reasons for not paying income tax?		
a	Exempted by special provision of IT Act, 1961. (Mizos are exempted)	
b	Net income does not come under income tax payable bracket.	

18. Please tick the items that you have purchased and is presently in your possession		
	ITEMS	**Amount in nos.**
a	LPG	
b	Television	
c	Refrigerator	
d	Washing Machine	
e	Computer	
f	Four wheeler	
g	Two wheeler	
h	Land	
i	House	
j	Any other (pls specify):__________________	

II – AWARENESS OF THE INVESTOR

19. The following are different terms used in investment finance. Kindly express your level of awareness which you believe is the most correct from the alternatives given

	INVESTMENT TERMS	Know very well	Know well	Somewhat know	Don't know
a	Mutual Fund				
b	Endowment Plan				
c	Unit Liked Insurance Policy (ULIP)				
d	BSE SENSEX				
e	Equity Linked Savings Scheme (ELSS)				
f	Equity Shares				
g	Debentures				
h	Fixed Deposits				
i	Savings Deposits				
j	National Savings Certificate (NSC)				
k	Bullion				
l	Permanent Account Number (PAN)				
m	Real estate				
n	Life Insurance				
o	Health Insurance				
p	Futures & Options				
q	Stock Market				
r	Demat				
s	Wall Street				
t	Dalal Street				

20. The following are DIFFERENT AVENUES OF INVESTMENTS. Kindly express your level of awareness which you believe is the most correct from the alternatives given –

	AVENUES OF INVESTMENT	Know very well	Know well	Somewhat know	Don't know
a	Small savings schemes				
b	Fixed Bank deposits				
c	Post office deposits				
d	Life Insurance Schemes				
e	Retirement Plan				
f	Children Benefit Plan				
g	Health Insurance				
h	Company Deposits				
i	Mutual Funds				

20	AVENUES OF INVESTMENT	Know very well	Know well	Somewhat know	Don't know
j	Debentures				
k	Equity Shares				
l	Provident Funds				
m	Foreign exchange deposits				
n	Co-operative society deposits				
o	Non Banking Financial Institutions (NBFCs)				
p	Futures and Options				
q	Bullion				
r	Real Estate				
s	Kar Khat Bank				

21. The following are some INVESTMENT INSTITUTIONS/INVESTING AGENCIES FOUND IN AIZAWL CITY. Kindly express your level of awareness which you believe is the most correct from the alternatives given

	AGENCIES FOUND IN AIZAWL CITY	Know very well	Know well	Somewhat know	Don't know
a	Union Bank of India				
b	ICICI Bank				
c	Axis Bank				
d	Mizoram Rural Bank				
e	State Bank of India				
f	Mizoram Apex Bank				
g	IDBI Bank				
h	MUCO Bank				
i	Punjab National Bank				
j	Vijaya Bank				
k	Bajaj Alliance				
l	ICICI Lombard General Insurance				
m	TATA AIG				
n	Birla Sun Life Insurance				
o	Unit Trust of India				
p	Legacy Corporation				
q	Zawlbuk Real estate				
r	Syndicate Bank				
s	Bank of Baroda				
t	Central Bank of India				
u	United Bank of India				
v	Postal Bank				
w	Life Insurance Corporation				
x	Zoram Shareworld				
y	Kar Khat Bank				

III - PREFERENCES AND HABIT OF INVESTOR

22. Age when first investment was made

a	Below 18 years	
b	18 – 25 years	
c	26 - 35 years	
d	36 – 45 years	
e	45 - 60 years	
f	Above 60 years	

24. Which level of risk do you prefer when you are investing?

a	High	
b	Little high	
c	Medium	
d	Little low	
e	Low	

23. Please indicate the portion of your income that you usually save and invest		
a	None	
b	1 – 10 percent	
c	11 – 20 percent	
d	21 – 30 percent	
e	31 – 40 percent	
f	41 percent and above	

25 How much percentage of your monthly income have you invested in the past 6 months?		
a	Upto 10 percent	
b	11 – 20 percent	
c	21 – 30 percent	
d	31 – 40 percent	
e	Above 41 percent	
f	No savings	

26. Kindly mention how many percentage of your income you have invested last year						
a	No savings			d	21 - 30 percent	
b	Upto 10 percent			e	31 – 40 percent	
c	11 – 20 percent			f	Above 41 percent	

27. Kindly mention the periodical savings plan that you use on the instruments shown below. (you may leave out instruments which you did not invest in)

	INSTRUMENTS	Daily	Monthly	Quarterly	Half Yearly	Annually	Once or twice in lifetime
a	Small savings schemes						
b	Fixed Bank deposits						
c	Post office deposits						
d	Life Insurance Schemes						
e	Retirement Plan						
f	Children Benefit Plan						
g	Health Insurance						
h	Company Deposits						
i	Mutual Funds						
j	Debentures						
k	Equity Shares						
l	Provident Funds						
m	Foreign exchange deposits						
n	Co-operative society deposits						
o	NBFCs						
p	Futures and Options						
q	Bullion						
r	Real Estate						
s	Kar Khat Bank						

28. Please express your order of preference FOR THE PRESENT with regard to the avenue of investment provided below, taking out *ONLY* FIVE (5) INSTRUMENTS that you prefer most by marking ranks from 1 to 5. And kindly indicate whether you have invested in the instrument or not (1 indicating the highest preference and 5 indicating the lowest)

	INSTRUMENTS	RANK (PRESENT)					tick below	
		1	2	3	4	5	invested	not invested
a	Small savings schemes							
b	Fixed Bank deposits							
c	Post office deposits							
d	Life Insurance Schemes							
e	Retirement Plan							
f	Children Benefit Plan							
g	Health Insurance							
h	Company Deposits							
i	Mutual Funds							
j	Debentures							

28	INSTRUMENTS	1	2	3	4	5	invested	not invested
k	Equity Shares							
l	Provident Funds							
m	Foreign exchange deposits							
n	Co-operative society deposits							
o	NBFCs							
p	Futures and Options							
q	Bullion							
r	Real Estate							
s	Kar Khat Bank							

29. Please express your order of preference that you think will suit your investment portfolio IN THE FUTURE with regard to the avenues of investment provided below, taking out *ONLY* FIVE (5) INSTRUMENTS THAT YOU PREFER MOST by MARKING RANKS FROM 1 TO 5. (1 indicating the highest preference and 5 indicating the lowest)

	INSTRUMENTS	RANK (FUTURE)				
		1	2	3	4	5
a	Small savings schemes					
b	Fixed Bank deposits					
c	Post office deposits					
d	Life Insurance Schemes					
e	Retirement Plan					
f	Children Benefit Plan					
g	Health Insurance					
h	Company Deposits					
i	Mutual Funds					
j	Debentures					
k	Equity Shares					
l	Provident Funds					
m	Foreign exchange deposits					
n	Co-operative society deposits					
o	NBFCs					
p	Futures and Options					
q	Bullion					
r	Real Estate					
s	Kar Khat Bank					

30. Please mention the amount you would invest in the given instruments (not more than five instruments) in such a way that the sum becomes Rs.5,00,000. You may leave out the instrument(s) you prefer not to invest in.

	INSTRUMENTS	AMOUNT YOU WOULD INVEST IF GIVEN Rs. 5,00,000 (only on 5 instruments)
a	Small savings schemes	
b	Fixed Bank deposits	
c	Post office deposits	
d	Life Insurance Schemes	
e	Retirement Plan	
f	Children Benefit Plan	
g	Health Insurance	
h	Company Deposits	
i	Mutual Funds	
j	Debentures	

30	INSTRUMENTS	Allocation of Rs. 5,00,000 (only on 5 instruments)
k	Equity Shares	
l	Provident Funds	
m	Foreign exchange deposits	
n	Co-operative society deposits	
o	NBFCs	
p	Futures and Options	
q	Bullion	
r	Real Estate	
s	Any other (pls specify) : _________________________________	
	TOTAL	5,00,000

31. Kindly mention your present portfolio in percentiles (percent on total invested amount)

	INSTRUMENTS	Percentage from total Portfolio
a	Small savings schemes	
b	Fixed Bank deposits	
c	Post office deposits	
d	Life Insurance Schemes	
e	Retirement Plan	
f	Children Benefit Plan	
g	Health Insurance	
h	Company Deposits	
i	Mutual Funds	
j	Debentures	
k	Equity Shares	
l	Provident Funds	
m	Foreign exchange deposits	
n	Co-operative society deposits	
o	NBFCs	
p	Futures and Options	
q	Bullion	
r	Real Estate	
s	Kar Khat Bank	

32. Please mark the instruments in which you INVESTED last year.

a	Small savings schemes	
b	Fixed Bank deposits	
c	Post office deposits	
d	Life Insurance Schemes	
e	Retirement Plan	
f	Children Benefit Plan	
g	Health Insurance	
h	Company Deposits	
i	Mutual Funds	
j	Debentures	
k	Equity Shares	
l	Provident Funds	
m	Foreign exchange deposits	
n	Co-operative society deposits	
o	NBFCs	
p	Futures and Options	
q	Bullion	
r	Real Estate	

33. Please mark the instruments which you had DISINVESTED last year.

a	Small savings schemes	
b	Fixed Bank deposits	
c	Post office deposits	
d	Life Insurance Schemes	
e	Retirement Plan	
f	Children Benefit Plan	
g	Health Insurance	
h	Company Deposits	
i	Mutual Funds	
j	Debentures	
k	Equity Shares	
l	Provident Funds	
m	Foreign exchange deposits	
n	Co-operative society deposits	
o	NBFCs	
p	Futures and Options	
q	Bullion	
r	Real Estate	

34. Please mention your proportion and amount of your investment in MUTUAL FUNDS, last year (2008)?			
	INSTRUMENTS	**Percentage**	**Amount (if possible)**
a	Private Mutual Fund		
b	Govt/ Public Sector Mutual Fund		
c	None		

35. Please mention your proportion and amount of your investment in INSURANCE last year (2008)?			
	INSURERS	**Percentage**	**Amount (if possible)**
a	Private Insurers		
b	Govt owned Insurers (LIC, GIC, etc)		
c	None		

36. Please mention your proportion and amount of your savings in BANKS last year (2008)?			
	BANKS	**Percentage**	**Amount (if possible)**
a	Public Sector Banks		
b	Private Sector Banks		
c	Non-Banking Financial Institutions		
d	None		

37. From the alternatives given below, please indicate the main sources from which you generate the funds for investment and mark them using ranks. (1 being the biggest source and 6 being the smallest source)		
a	From inherited property	
b	From household income	
c	Out of funds borrowed from relatives and friends	
d	Out of funds borrowed from NBFCs and money lenders	
e	Out of fund borrowed from Banks	
f	Out of funds borrowed from other sources	

38. Please mention the number of companies in which you directly invest in (not Mutual Funds)?		
a	1-2 companies	
b	3 - 4	
c	5 - 7	
d	more than 7	
e	none	

39. Are you cultivating the habit of savings and investment in your children?		
a	Yes	
b	No	
c	Can't say	

40. If yes, by what methods are you encouraging your children? Please indicate, seperately, the three (3) methods that you prefer most.		
a	By involving them in family business	
b	By consulting them in investment decisions	
c	By discussing financial matters with them	
d	By encouraging them to read business magazines and relevant literature	
e	By encouraging them to view business programmes on television	
f	By encouraging them to surf the internet for information	
g	By encouraging them to opt for commerce education	
h	Any other ____ (pl. specify)	

IV - PERCEPTIONS OF THE INVESTOR

41. Kindly express your LEVEL OF WORRIES with your PRESENT INVESTMENT which you believe is the most correct from the alternatives given (you may leave out those that you have not invested in)

	PRESENT INVESTMENT	Very Worried	Worried	Not Worried nor Satisfied	Satisfied	Very Satisfied
a	Small savings schemes					
b	Fixed Bank deposits					
c	Post office deposits					
d	Life Insurance Schemes					
e	Retirement Plan					
f	Children Benefit Plan					
g	Health Insurance					
h	Company Deposits					
i	Mutual Funds					
j	Debentures					
k	Equity Shares					
l	Provident Funds					
m	Foreign exchange deposits					
n	Co-operative society deposits					
o	NBFCs					
p	Futures and Options					
q	Bullion					
r	Real Estate					
s	Kar Khat Bank					

42. Kindly indicate your PERCEPTION OF RISK ASSOCIATED with it from the alternatives provided (You may leave out those that you are not well acquainted with)

	INSTRUMENTS	Very High Risk 1	High Risk 2	Neither high nor low 3	Low Risk 4	Very Low Risk 5
a	Small savings schemes					
b	Fixed Bank deposits					
c	Post office deposits					
d	Life Insurance Schemes					
e	Retirement Plan					
f	Children Benefit Plan					
g	Health Insurance					
h	Company Deposits					
i	Mutual Funds					
j	Debentures					
k	Equity Shares					
l	Provident Funds					
m	Foreign exchange deposits					
n	Co-operative society deposits					
o	NBFCs					
p	Futures and Options					
q	Bullion					
r	Real Estate					
s	Kar Khat Bank					

43. Below are some FACTORS THAT MAY LEAD TO DEPRECIATION OF THE VALUE OF YOUR FINANCIAL ASSETS. Please take out 3 of the factors by marking them at ranks provided on the right side. (1 indicating the highest and 3 indicating the lowest chance of occurrence)				
	FACTORS LEADING TO DEPRECIATION OF PORTFOLIO VALUE	Chance of Occurrence		
		1	**2**	**3**
a	Corporate mismanagement			
b	Fraudulent agent/advisers			
c	Unfair practices of brokers/intermediates			
d	Volatile market			
e	Inactivity of Government			
f	Incompetency of Fund Managers			
g	Others ______________________ (please specify)			

44. Kindly indicate your PERCEPTION ON HONESTY AND SINCERITY OF FINANCIAL INSTITUTIONS/INVESTING AGENCIES found in Mizoram from the alternatives given (1 being the highest and 5 being the lowest)						
	FINANCIAL INSTITUTIONS/ AGENCIES	**High 1**	**2**	**3**	**4**	**Low 5**
a	Public Banks (SBI, MRB, MUCO, etc)					
b	Private Banks (ICICI, IDBI, Axis Bank, PNB, etc)					
c	Post Office					
d	Real Estate (Zawlbuk, etc)					
e	Mutual funds (UTI, Reliance, SBI, etc)					
f	Insurance Companies (LIC, Birla, Bajaj, etc)					
g	Stock Brokers					
h	NBFCs (Legacy, NEREFS, etc)					
i	Others ______________________					

V - EXPERIENCES OF THE INVESTOR

45. Have you ever been a VICTIM OF A FINANCIAL SCAM (at any place – even outside Mizoram)? If yes, please indicate the type of instrument(s) you invested in with the relevant periods mentioned.			
	INSTRUMENT	**Period in which the scam happened**	
		Before 1.1.2000	**After 1.1.2000**
a	Small savings schemes		
b	Fixed Bank deposits		
c	Post office deposits		
d	Life Insurance Schemes		
e	Retirement Plan		
f	Children Benefit Plan		
g	Health Insurance		
h	Company Deposits		
i	Mutual Funds		
j	Debentures		
k	Equity Shares		
l	Provident Funds		
m	Foreign exchange deposits		
n	Co-operative society deposits		
o	NBFCs		
p	Futures and Options		
q	Bullion		
r	Real Estate		
s	Kar Khat Bank		

46. How has the change in interest rate and economic downturn affected your Investment Habit?		
a	Very much	
b	Somehow	
c	Not affected	

47. Have you ever helped a potential investor in making an investment decision?		
a	Yes, fully	
b	Yes, partly	
c	No	

48. "I consider myself a very sensible investor". Up to what extent do you agree with the statement?		
a	Agree completely	
b	Agree	
c	Neither agree nor disagree	
d	Disagree	
e	Disagree completely	

49. "I consider myself as an experienced investor". Up to what extent do you agree with the statement?		
a	Agree completely	
b	Agree	
c	Neither agree nor disagree	
d	Disagree	
e	Disagree completely	

VI - MOTIVES AND FACTORS INFLUENCING INVESTMENT BEHAVIOUR

50. Please rank the factors given below as your REASON FOR SELECTING NEW INSTRUMENT by marking it from 1 to 7. (1 being the highest and 7 being the lowest)		
a	Safety	
b	Liquidity & Marketability	
c	Tax benefits	
d	High Return	
e	Easy availability (to buy)	
f	Diversification	
g	Popularity	

51. Please rank the factors given below as your REASON FOR SAVINGS by marking it from 1 to 7. (1 being the highest and 7 being the lowest)		
a	Education	
b	Buying House or Land	
c	Tax savings	
d	High return from invested amount	
e	Capital gains	
f	Compulsion from family members	
g	Marriage of children	
h	Buying durable goods	
i	To meet medical expenses	
j	For retirement	
k	Any other (please specify) ______________________________	

52. From where do you receive assistance when you invest?		
a	Professional Consultant	
b	Friend(s)	
c	Relatives	
d	Peers	
e	Family	
f	From internet/software	
g	None	

53. Please indicate any FIVE REASONS FOR INVESTING IN COMPANY SECURITIES such as Equity, Company Deposits and Debentures by marking ranks on the boxes (1 being the highest and 7 the lowest).		
a	It yields high	
b	Easy access and availability of instruments in Aizawl	
c	I have more funds to invest	
d	Easy to get proper information and advice	
e	Confidence in the ability of Company's Management	
f	It involves small amount of funds	
g	Any other (please specify) ____	

54. Please indicate any FIVE REASONS FOR NOT INVESTING IN COMPANY SECURITIES such as Equity, Company Deposits and Debentures by marking ranks on the boxes (1 being the highest and 5 the lowest).		
a	Lack of awareness	
b	Lack of required knowledge	
c	Lack of facilities for trading in Aizawl	
d	Difficulty in getting proper information and advice	
e	It is too risky	
f	Too much price volatility	
g	It involves large amount of funds	
h	Fear of fraud and manipulation by companies	
i	Any other (please specify) ____	

55. Please indicate, in your opinion, any FIVE REASONS FOR INVESTING IN GOVT/PUBLIC SECTOR SPONSORED INSTRUMENTS from the alternatives given, by marking ranks on the boxes (1 being the highest and 5 the lowest among the reasons).		
a	It is more safe	
b	Easy access and availability of instruments in Aizawl	
c	I have required knowledge about the products	
d	Easy to get proper information and advice	
e	Prices are not volatile	
f	It involves small amount of funds	
g	Satisfactory Return on Investment (ROI)	
	Any other (please specify) ____	

56. Please indicate, in your opinion, any FIVE REASONS FOR INVESTING IN MUTUAL FUNDS from the alternatives given by marking ranks on the boxes (1 being the highest and 5 the lowest).		
a	It is more safe	
b	Easy access and availability of instruments in Aizawl	
c	I have required knowledge about the products	
d	Easy to get proper information and advice	
e	Prices are not volatile	
f	It involves small amount of funds	
g	Satisfactory Return on Investment (ROI)	
h	Any other (please specify) ____	

57. Please indicate, in your opinion, any FIVE REASONS FOR NOT INVESTING IN MUTUAL FUNDS from the alternatives given by marking ranks on the boxes (1 being the highest and 5 the lowest).		
a	Lack of awareness	
b	Lack of required knowledge	
c	Lack of facilities for trading in Aizawl	
d	Difficulty in getting proper information and advice	
e	It is too risky	
f	Too much price volatility	
g	It involves large amount of funds	
h	Fear of fraud and manipulation by companies	
i	Any other (please specify) ____	

58. PLEASE INDICATE THE EXTENT TO WHICH YOU AGREE WITH THE FOLLOWING STATEMENTS						
	STATEMENTS	**Strongly Disagree**	**Disagree**	**Neither Agree nor Disagree**	**Agree**	**Strongly Agree**
a	It bothers me deeply if the instruments i invested on fluctuate in the market.					
b	Risk is the major deciding factor when i invest					
c	Inflation increases the level of risk in investment					
d	Low risk investments with stable returns are more attractive to me than instruments with high risk but potentially high returns.					
e	I agree that high returns is always connected with high risks					
f	I usually invest without making a study/research on the instrument in which i am about to invest and greatly depend on advice of others.					
g	The government should take more active role in educating household investors					

THANK YOU

Annexure 2

From the affiliated colleges under Mizoram University, the following institutions are in Aizawl city:

Sl No	Name of Institution	Year of establishment	Courses offered
1	Pachhunga University College	1958	Bachelor of Arts, Science and Commerce
2	Govt. Aizawl College	1975	Bachelor of Arts and Commerce
3	College of Teachers Education	1975	Bachelor of Education
4	Govt Hrangbana College	1980	Bachelor of Arts and Commerce
5	Govt. Zirtiri Residential Science College	1980	Bachelor of Science
6	Mizoram Law College	1983	Bachelor of Law
7	Govt. Aizawl North College	1988	Bachelor of Arts
8	Govt Aizawl West College	1990	Bachelor of Arts
9	Govt T. Romana College	1992	Bachelor of Arts
10	Govt. J. Thankima College	1992	Bachelor of Arts
11	Govt. Johnson College	1993	Bachelor of Arts
12	Regional Institute of Para-medical and Nursing Sciences (RIPANS)	1996	B.Sc Nursing, B. Pharm and B.Sc. MLT
13	National Institute of Electronics and Information Technology, Aizawl Campus	2000	Certificate, diploma, bachelor and master degress in information technology

Source : http://www.mzu.edu.in/Profile%20of%20AffiliatedColleges.pdf accessed on15.4.2013

Annexure 3

List of 24 insurance companies in India:

Public Sector company -

Life Insurance Corporation of India

Private Sector companies -

AEGON Religare Life Insurance

Aviva India

Bajaj Allianz Life Insurance

Bharti AXA Life Insurance Co Ltd

Birla Sun Life Insurance

Canara HSBC Oriental Bank of Commerce Life Insurance

DHFL Pramerica Life Insurance

Edelweiss Tokio Life Insurance Co. Ltd

Future Generali Life Insurance Co Ltd

HDFC Standard Life Insurance Company Limited

ICICI Prudential Life Insurance Company Limited

IDBI Federal Life Insurance

IndiaFirst Life Insurance Company

ING Life Insurance

Kotak Life Insurance

Max Life Insurance

PNB MetLife India Life Insurance

Reliance Life Insurance Company Limited

Sahara Life Insurance

SBILife Insurance Ltd.

Shriram Life Insurance

Star Union Dai-ichi Life Insurance

TATA AIA Life Insurance

Source : IRDA Annual Report, 2012-13

Annexure 4

List of mutual funds in India an on 2.4.2014:

A. Bank Sponsored

1. Joint Ventures - Predominantly Indian
    - BOI AXA Investment Managers Private Limited
    - Canara Robeco Asset Management Company Limited
    - SBI Funds Management Private Limited
    - Union KBC Asset Management Company Private Limited
2. Joint Ventures - Predominantly Foreign
    - Baroda Pioneer Asset Management Company Limited
3. Others
    - IDBI Asset Management Ltd.
    - UTI Asset Management Company Ltd

B. Institutions

1. Joint Ventures - Predominantly Indian
    - LIC NOMURA Mutual Fund Asset Management Company Limited
2. Indian
    - IIFCL Asset Management Co. Ltd.

C. Private Sector

1. Indian
    - Deutsche Asset Management (India) Pvt. Ltd.
    - Edelweiss Asset Management Limited
    - Escorts Asset Management Limited
    - IL&FS Infra Asset Management Limited
    - India Infoline Asset Management Co. Ltd.
    - Indiabulls Asset Management Company Ltd.
    - JM Financial Asset Management Private Limited
    - Kotak Mahindra Asset Management Company Limited(KMAMCL)
    - L&T Investment Management Limited
    - Motilal Oswal Asset Management Company Limited
    - Peerless Funds Management Co. Ltd.
    - PPFAS Asset Management Pvt. Ltd.
    - Quantum Asset Management Company Private Limited
    - Reliance Capital Asset Management Ltd.
    - Sahara Asset Management Company Private Limited
    - Shriram Asset Management Co. Ltd.
    - SREI Mutual Fund Asset Management Pvt. Ltd.
    - Sundaram Asset Management Company Limited
    - Tata Asset Management Limited
    - Taurus Asset Management Company Limited
2. Foreign
    - BNP Paribas Asset Management India Private Limited
    - Franklin Templeton Asset Management (India) Private Limited

- Goldman Sachs Asset Management (India) Private Limited
- Mirae Asset Global Investments (India) Pvt. Ltd.
- Morgan Stanley Investment Management Pvt.Ltd.
- PineBridge Investments Asset Management Company (India) Pvt. Ltd.
- Pramerica Asset Managers Private Limited

3. Joint Ventures - Predominantly Indian
    - Axis Asset Management Company Ltd.
    - Birla Sun Life Asset Management Company Limited
    - DSP BlackRock Investment Managers Private Limited
    - HDFC Asset Management Company Limited (Corporate Identification Number - U65991MH1999PLC123027)
    - ICICI Prudential Asset Mgmt.Company Limited
    - IDFC Asset Management Company Limited
    - Religare Invesco Asset Management Company Private Limited
4. Joint Ventures - Predominantly Foreign
    - HSBC Asset Management (India) Private Ltd.
    - ING Investment Management (India) Pvt. Ltd.
    - JPMorgan Asset Management India Pvt. Ltd.
    - Principal Pnb Asset Management Co. Pvt. Ltd

Source: https://www.amfiindia.com/amfi-members-details

Annexure 5

List of NBFCs operating in Aizawl city as recorded by the Zozam Weekly (Vol 5 Issue 5, 2008)

Sl No	Name of NBFC	Manager in Aizawl, address	Owner and head office	Year of entry in Aizawl
1	Relation Socio-Economic Culture and Organisation	Anand Thapa, Canteen Kual, Aizawl.	A. Batacharjee, Karimganj Head Office – Guwahati	2005
2	Swardesh Construction & Real Estate Ltd.	S.U. Bhorbhuya Dawrpui, Aizawl.	R. Ahmed Bhorbhuya Head Office – Silchar	2007
3	Swarna Jayanti Agro-Tech Ltd.	Esther Manlamching	Moynul Haque, Karimganj Head Office - Karimganj	NA
4	CORONA	H. Lalbuatsaiha Zarkawt, Aizawl	Zakir Hussein Chowdhuri, Karimganj	NA
5	SEBA Real Estate	Tanmoy Chakraborty	Tanmoy Chakraborty, Guwahati	NA
6	BAS	V.L. Ruatkima Vaivakawn, Aizawl	V.L. Ruatkima Head office- Aizawl	NA
7	Sahara India Finance Corporation Ltd.	NA	Head office – Lucknow	1996
8	Tower InfoTech Ltd	Siddique Hussain Mazumdar, Zarkawt, Aizawl	Head office- Silchar	NA
9	Desire Agri-Resorts Development Pvt. Ltd.	B. Lalsawma, Dawrpui, Aizawl	Ashok Bose, Kolkata	NA
10	Daffodils Insurance Agency Pvt. Ltd.	H. Lalropuia	Istieque Ahmed Chowdhury, Guwahati Head office – Guwahati	2007
11	Annanya Project & Construction Ltd.	Jimmy V.L. Siama, Chanmari, Aizawl.	Pappu Kuri	2008
12	Cosmic Negotiator Ltd.	Bijoy Raj Thapa, Zarkawt, Aizawl	Sanjeet Chakraborty, Hailakandi	NA
13	Legacy Finance Company Ltd.	Zothanpuia, Chanmari, Aizawl	Zothanpuia, Head office - Chanmari, Aizawl	NA
14	Mizoram Share World	Kaprivunga, Zarkawt, Aizawl	Kaprivunga, Head office - Zarkawt, Aizawl	NA
15	Appleline	NA	NA	NA
16	Matribhumi	NA	NA	NA
17	Rose Valley	NA	NA	NA
18	4th Corner Business	Peter H. Zama Hunthar, Aizawl	Peter H. Zama Head office - Hunthar, Aizawl	NA
19	North East Region Finance Services	Lalremsiem Upper Republic, Aizawl	Lalremsiem Upper Republic, Aizawl	NA

Annexure 6

List of NBFCs operating in Aizawl city as reported by *Vanglaini* daily

Company name	Type of registration	Remark
Corona Project	Company regn.	Closed
Relation SECO	Company regn.	Closed
Barak Agency	Company regn.	Closed
MS Swarna Jayanti	Company regn.	Closed
Matribhumi	Company & Society regn.	Closed
Ananya Project	CIN	Closed
Hill Valley	CIN	Continuing
Green Valley Consultancy	Company regn.	Closed
Cosmic and Negotiator	-	Closed
Seba Real Estate	Company regn.	Continuing
Swadesh Construction	CIN	Closed
Rose Valley Real Estate	Incorporation certificate	Continuing
Desire Agro Resorts	Company regn.	Closed
Tower Infotech	Company regn.	Continuing
Zawlbuk Real Estate	ISO regn.	Continuing
Shekina Finance	-	Continuing
National Self Employment Mission	-	Continuing
Mizoram Share World	SEBI regn.	Closed
Daffodils	IRDA regn.	Closed
Legacy Finance	CIN	Continuing
Fourth Corner Business	Trade Union regn	Continuing
Elim Partnership	Firms and Societies regn.	Closed
Mizoland travels	-	Continuing
K.D. Mediclaim	-	Closed
ZO Vision	-	Closed
Friendship and Helping Hands	Firms and Societies regn.	Closed
Vanso Technocraft	-	Continuing
NE 10-6	-	Closed
RKS Infraestate	Company regn.	Continuing
Appelline	-	Closed

Source: http://www.misual.com/2010/07/14/bank-nilo-pawisa-ti-pung-thiam-te accessed on 25.11.2013

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