

“A study on sustainable investment preferences of investors based on their age group”

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ABSTRACT

This research seeks to look into investor preferences for sustainable investments based on their age group. The need to comprehend how age affects investment choices as well as the growing interest in sustainable investing are the driving forces behind the study. This study will offer insightful information on how various age groups view sustainable investments, which can guide investment decisions and advance sustainable investing methods.

Sustainable Investment :- To build and diversify their portfolios and guarantee financial success, investors can employ a variety of strategies. Sustainable investing is one new trend that is altering how companies and investors view investments.

By fostering constructive societal change, sustainable investing has contributed to the shaping of the world. It also has been demonstrated that having investments that are more sustainable can help people and companies financially. Purpose-driven leaders and groups can prosper as they address the biggest problems facing the world by establishing sustainable business strategies.

This study will find the purpose of investment from the youngsters, who mainly invests in Five major asset classes investors which are Cash and cash equivalents, Fixed income, Real assets, Equities, crypto.

Keyword: - Sustainable investment, Asset classes, Age group.

INTRODUCTION

This study is mainly conducted to understand the different sustainable investment preferences or choices made by certain age groups. Age wise investment preferences are investment behavior and strategies used by different age group of people. It is also conducted to tell us how an individual manages their portfolio and use their financial literacy as well as investment strategies.

Sustainable Investment is defined as an investment practice that not only focuses on financial concerns as a single investment objective, but also aims to contribute to sustainable development by incorporating environmental, social, and governance (ESG) aspects into the investment-criteria.

Broadly, there are four major reasons for the need of the study:

- Personal Financial Planning – Financial Planning is the basic process of evaluating the current financial situation, predicting or identifying potential financial issues that might occur in the future and developing a plan to overcome or avoid any financial hindrance or circumstances. For example, younger investors tend to have higher risk tolerance level whereas older investors prefer lower risk level investments to secure their retirement plans.
- Investment Product Structuring – Many a times, financial institutions uses insights from age wise investment preferences to develop better and innovative investment products to meet the need of different age group people. For example, retirement saving plans are specifically designed differently for older and younger investors.
- Risk Management – Once we are able to understand the risk tolerance level of different age groups, it helps the investors to invest or pertain accordingly. This in turn also helps in personal finance planning of an individual, group or an organization. For example, older investors prefer to invest in least risky investment opportunities that could jeopardize their saving for future and younger investors take more risky investments as they have high-risk appetite.
- Economic Foresight – Age wise sustainable investment preference studies provide insights as in how different age group of people would invest in accordance with the pertaining economic activity. This helps in forecasting future market trends and investment making decisions accordingly.

RESEARCH METHODOLOGY

The Advanced Learner’s Dictionary of Current English lays down the meaning of research as “a careful investigation or inquiry especially through search for new facts in any branch of knowledge.” Redman and Mory define research as a “systematized effort to gain new knowledge.” C.R. Kothari quoted research as the systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analyzing the facts and reaching certain conclusions either in the form of solutions(s) towards the concerned problem or in certain generalizations for some theoretical formulation.”

The main purpose of research is to help identify the problem statement, draw conclusions and interpret or predict situations using scientific procedures. The process of systematically designing, conducting, analyzing, and interpreting research studies.

We have used three different research methods to help build a case on age wise investing preferences

- ✓ Survey Method – Survey research method is a type of research methodology, which typically involves data collection through standardized questionnaires or interviews. The main motto behind survey research method is to use a systematic, uncomplicated research method to conduct a primary research of individuals or a group of people like a sample or a population.

The Primary Survey Research that was conducted through a google form that was circulated in order to gather primary data. The process of the survey research involved the following process:

1. Purpose of the research – the purpose of the survey research was to reach out to individuals belonging to different age groups to diversify our sample size as the paper is based on age wise sustainable investment preferences.
2. Survey Questionnaire Design – the survey form basically constituted of twelve (12) questions that majorly concluded our research.
3. Sampling / Data Collection – This study was based on the responses of a randomly selected sample size of 109 respondents making the survey statistically significant. This study was confined to India.
4. Data Analysis – Using various methods, we try to analyze the data to reach a conclusion.
5. Interpretation – After analyzing the data, we try to interpret the results.

- ✓ Historical Research – Historical Research Method is a type of research methodology that involves research of data from past events or situations in order to gain better understanding of circumstances. The purpose of this method is to connect the dots or bridge the gap between past and present data in order to customize policies based on situations.

Here, in the paper, we tried to find the gaps between different papers written by distinguished authors as our historical data set and the issues pertaining behind the scene.

LITERATURE REVIEW

- “Investment Preferences of Different Generations in India” by Vijay Kumar Singh and H.M. Sathya Prasad (2018): This study examines investment choices among several Indian generations. According to the report, younger investors are more inclined to invest in stocks, whilst older investors favors fixed-income assets.
- “Age-Based Asset Allocation: The Role of Target-Date Funds” by Olivia S. Mitchell, Stephen P. Utkus, and Tongxuan Yang (2011): In this study, various age groups' utilisation of target-date funds as retirement investing vehicles is investigated. The survey reveals that while older investors favor more conservative strategies, younger investors tend to own more stocks.
- “Investment Preferences across Age Cohorts” by Anne Marie Knott and Robert F. Otondo (2019): This paper examines the investment preferences of different age groups, including millennials, Gen Xers, and baby boomers. The study finds that millennials are more likely to invest in socially responsible funds, while older investors tend to prioritize income and capital preservation.
- “Age and Investment Risk Tolerance: Evidence from the Survey of Consumer Finances” by Annamaria Lusardi and Olivia S. Mitchell (2014): This study examines the connection between age and investment risk tolerance in the United States using data from the Survey of Consumer Finances. The findings imply that older people are often more risk averse and retain a bigger percentage of their portfolios in safe investments like bonds.
- "Investment Pattern of Different Age Groups in India" by Dr. Swati Gupta (2016): This study examines the investment behavior of various age groups in India with an emphasis on the variables that affect these choices. The author finds that whereas older people tend to favor fixed income assets like bonds and senior citizen savings programs, younger people tend to have better risk tolerance and are more inclined to invest in equities and mutual funds.
- A study by Lusardi and Mitchell (2014) found that there are substantial differences in investment preferences between various age groups. The research discovered that while older investors favor less risky options like bonds and annuities, younger investors tend to be more risk-averse and prefer investment options like mutual funds.
- Another research by Agarwal and Amromin (2013) discovered that various age groups' investment preferences are influenced by their level of education and financial literacy. According to the research, younger investors with lower financial literacy prefer to invest in safer assets, whereas older investors with higher levels of financial literacy do the opposite.
- According to a 2011 study by Korniotis and Kumar, an individual's degree of wealth influences their investment preferences. According to the research, younger investors with lower wealth levels tend to favor riskier investments in an effort to earn higher returns, whereas older investors with greater wealth levels tend to favor safer investments in an effort to protect their wealth.

- According to a 2014 study by Sunita Bishnoi, Investors now have a variety of investment options thanks to recent developments in the financial and capital markets. Investors base their investment decisions on the options they have access to as well as the degree of risk and return they can tolerate. The most favored investment goals are capital gain and safety. Objectives for investments and demographic factors have a strong correlation. According to the study, insurance is the most popular form of investment and saving, followed by bank deposits, PPF, NSC, post office savings, and real estate. Equity investments and debentures are the least favored sources of investment, and bonds are the next least preferred.
- “Factors Influencing Investment Decision of Generations in India: An Econometric Study” by Manoj Kumar Dash (2010): The modern investor is an experienced, knowledgeable person who chooses to invest in accordance with their level of risk tolerance. For business choices, they frequently consult source and reference groups, and they weigh a variety of factors before finalizing any transaction. They could, however, still be fooled by cognitive fallacies like limited framing and arrogance. This research sought to ascertain whether investing behaviors and demographic traits could be used to distinguish between levels of risk tolerance and investment choices for both men and women. Investment managers may use the results to create investment plans that take into account specific investor preferences.
- “Sustainable Investment Preferences among Robo-Advisor Clients” by Ida Ayu Agung Faradynawati and Inga-Lill Söderberg (2022): In order for financial institutions to create a successful marketing plan for sustainable investment goods for retail investors, it is critical to identify the appropriate target market. In order to increase knowledge among non-accredited investors, it also emphasises the role of the government and financial authorities in comprehending the market segment for sustainable investment products. Using a sizable dataset from three Nordic countries, the research examines the factors that influence sustainable investment choices in digital financial advisory settings. According to the results, clients who have a low tolerance for risk and a limited investment horizon are more likely to make sustainable investments. Less wealthy, female, and older clients also favored sustainable investments. According to the research, policymakers should give educational initiatives a higher priority in order to increase investor knowledge and engagement in sustainable investment. In addition, financial organizations can use the traits of investors who are more likely to choose sustainable investments to maximize the potential of retail investment. The sample bias in favor of younger people is one of the study's limitations, as is the exclusion of other important factors like financial literacy, digital literacy, and previous investment experience. The research offers preliminary results about the factors that influence clients of robo-advisors to make sustainable investment decisions, and it has the potential to be expanded into a cross-cultural study with more variables.
- “Does Sustainable Behavior make you a Sustainable Investor?” by Jan Hörth & Erik Leiditz Thorsson (2022): This research was made to determine how an individual investor's ecological footprint (EF) affect their propensity to make sustainable investment preferences. The research gathered quantitative information from 290 structured questionnaires to investigate people's investment sustainability behavior. According to the research, people with lower EFs were more likely to make sustainable investments, and their likelihood of doing so decreased by 9.8% for every unit higher in their EF. The study found that an individual's EF does affect their willingness to make sustainable investments and that the primary motivators for making such investments were ethical considerations, reducing one's consumption, and social and environmental incentives. The research offers fresh, insightful information about what influences people's motivations and backgrounds to invest funds in environmentally friendly options, such as sustainable investments.
- “Does Aging Impacts on Financial Behavior and Investment Decisions” by Ashima Saxena in 2020 researched into how people in Delhi and the National Capital Region made investment choices based on behavioral biases. The results of the research showed that age has a significant influence on financial biases and investment choices, with overconfidence bias and loss aversion bias being more common in particular age groups. The study has consequences for traders and investors who want to recognize and accommodate the behavioral biases of particular investors. Younger people's financial behavior may be improved by offering them financial goods and services in the future. The study emphasises the need for additional study in this field, particularly in the Indian context where new technologies and investment strategies are being developed.

AGE-WISE INVESTMENT PREFERENCES

Sustainable Investment Options are investment preferences of people in order to reduce carbon footprints. Carbon foot printing is the process of measuring the total amount of greenhouse gas (GHG) emissions generated by an individual, organization, or product over a given period. Sustainable investors use carbon foot printing to assess the environmental impact of their investment portfolios, and to identify investments that are aligned with their sustainability goals.

We used five (5) different types of investment options to conduct our survey. They are as follows:

Stocks/ Mutual funds: Stocks are ownership shares in a publicly traded company. They offer the potential for high returns but are also subject to significant market volatility and risk. Mutual funds are investment vehicles that pool money from many investors to invest in a diversified portfolio of stocks, bonds, or other assets.

Bonds: Bonds are issued by companies or governments as debt securities. They offer lower returns than stocks but are generally considered less risky.

Fixed Deposits: Fixed Deposits are financial instruments where an investor can usually invest large sum of money at par with the inflation rate.

Exchange-Traded Funds (ETFs): ETFs are similar to mutual funds, but they trade on stock exchanges like individual stocks. They offer diversification and flexibility.

Cryptocurrencies: Cryptocurrencies are digital assets that use cryptography to secure transactions and control the supply. They offer potential high returns but are also highly volatile and risky.

DATA ANALYSIS

From the survey we conducted, we gathered the following data and prepared few charts to come to a concrete conclusion.

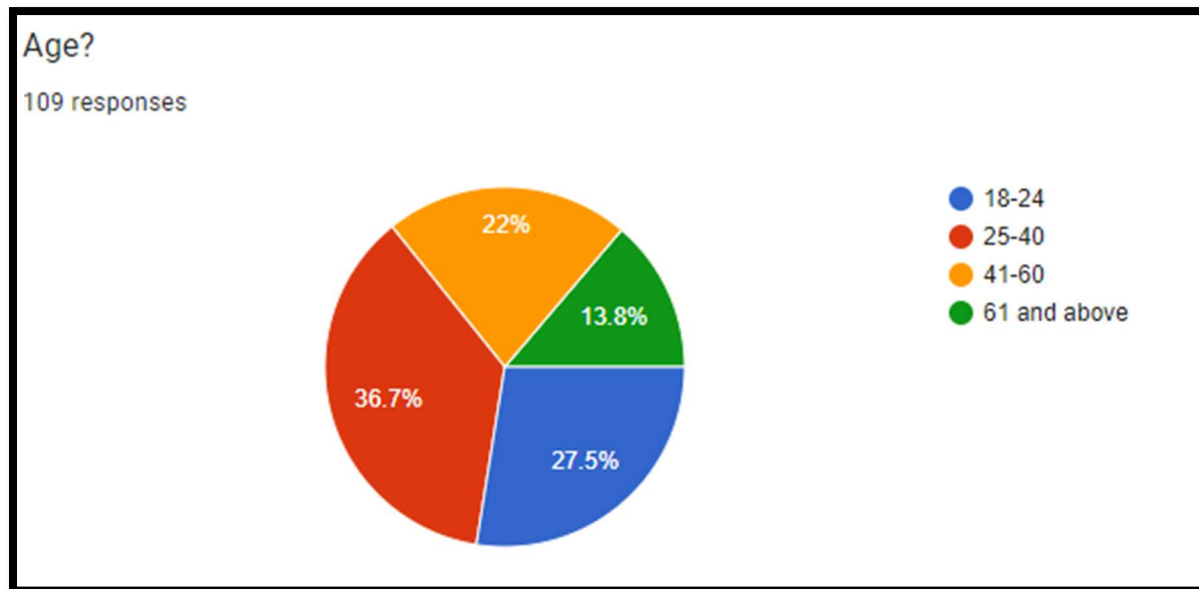


Figure 1 Age Group

Major respondents lied between the age group of 25-40 years followed by age group 18-24 years.

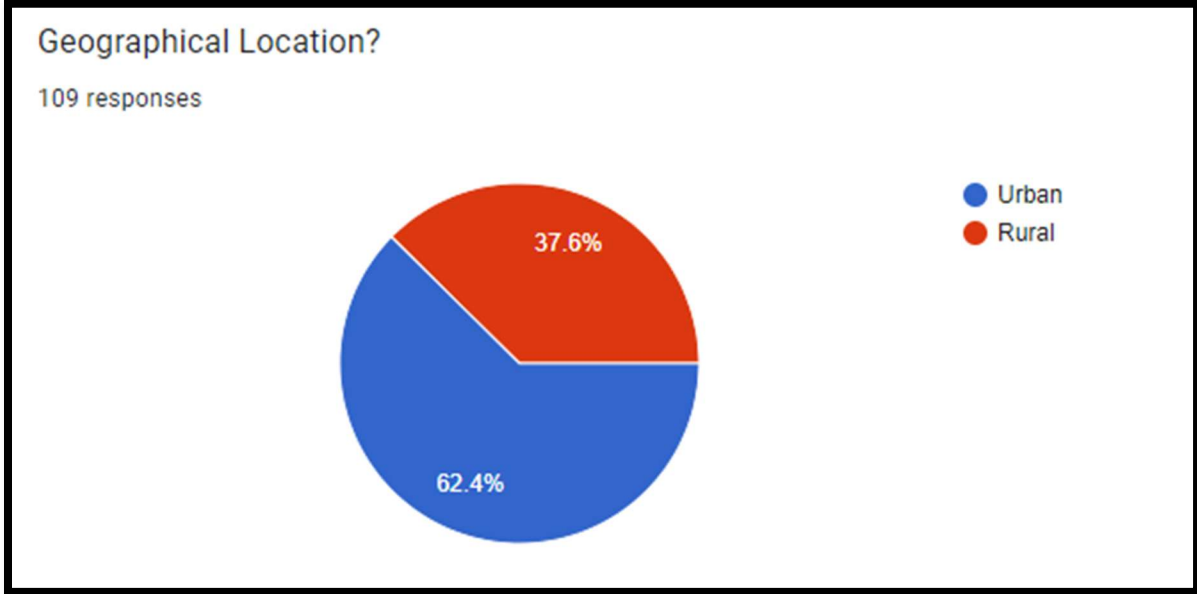


Figure 2 Location

Most of the respondents from the sample size were from urban area.

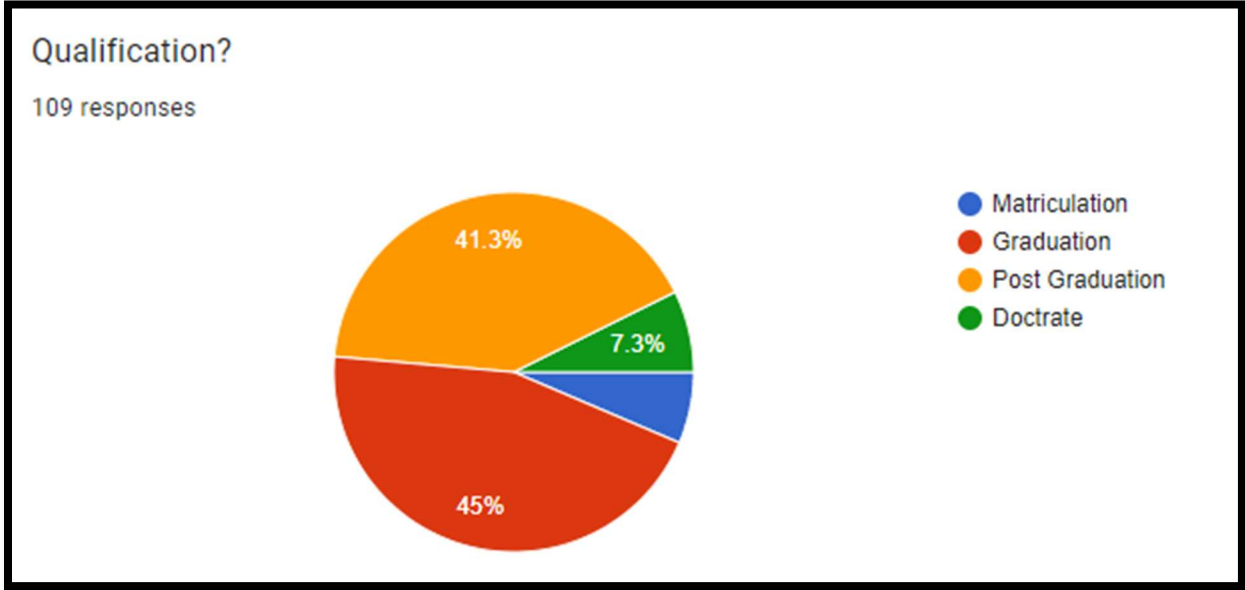


Figure 3 Qualification

Respondents were majorly qualified as a graduate or post-graduate. This means that the financial literacy level was quite good.

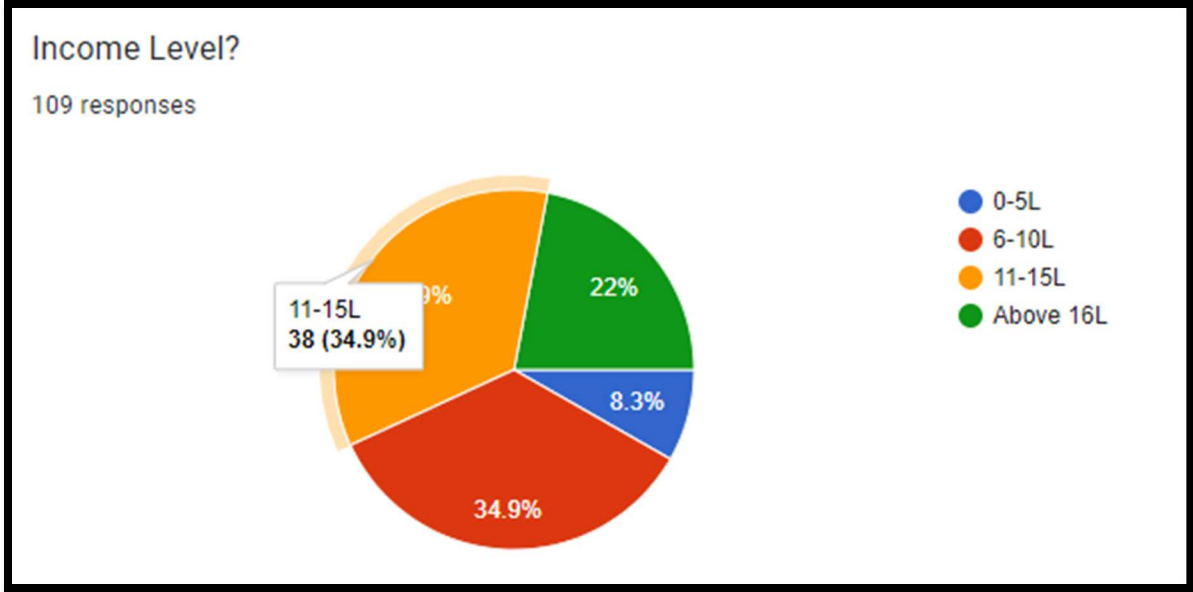


Figure 4 Income Level

Out of the 109 respondents, almost 35% individuals belonged to the income level of 11-15 lakh per annum. Followed by almost 35% of 6-10 lakh per annum as well. Less than 10% individuals belonged to the income level group of 0-5 lakh per annum, indicating that the sample population were financially sufficient to trade in different investment options.

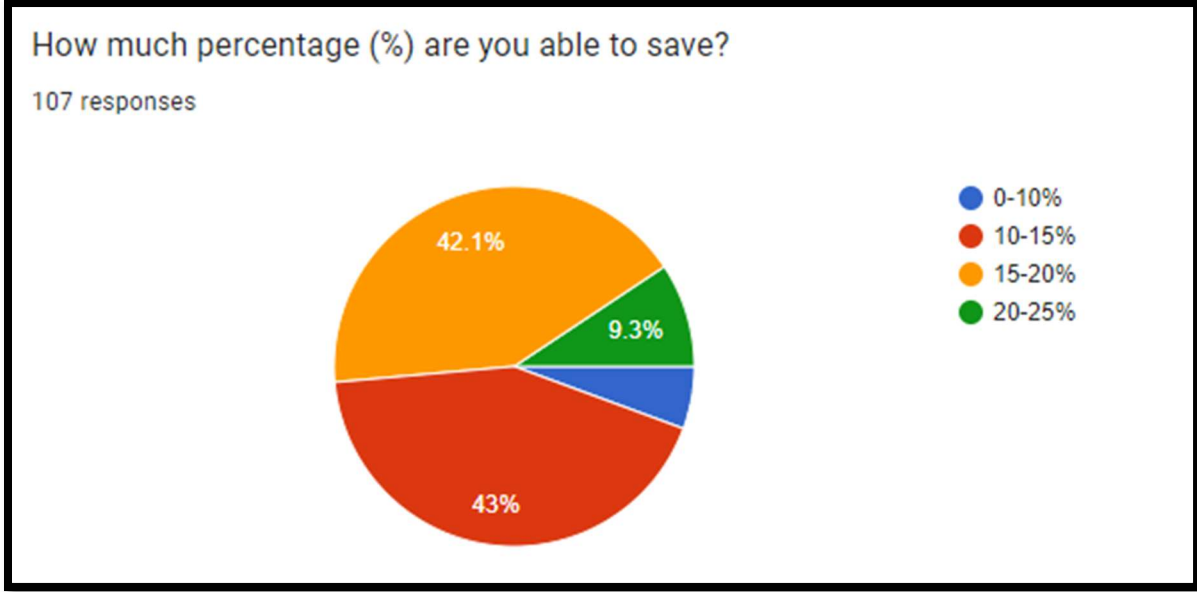


Figure 5 Savings

As per the data from the survey, approximately 86% of the sample size were able to save around 10-15% and 15-20% equally. This in turn indicated the sample population saved a good amount of their income to invest better and make sound financial decisions.

What percentage of your savings do you invest in equity?

109 responses

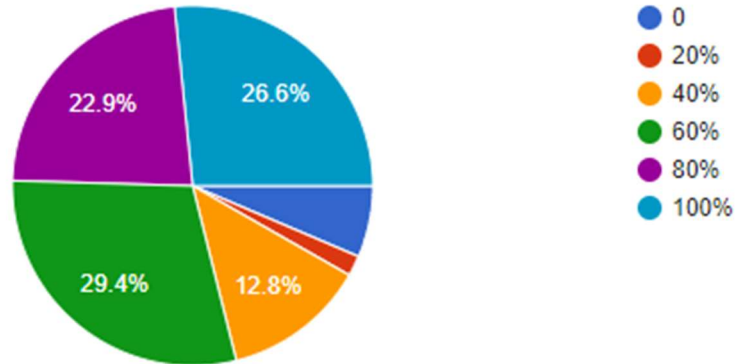


Figure 6 Equity

According to the responses we received, approximately 30% of their Investors savings were invested in equity across different age groups followed by 26% and 22.9% respectively.

What percentage of your savings do you invest in Gold ETF?

109 responses

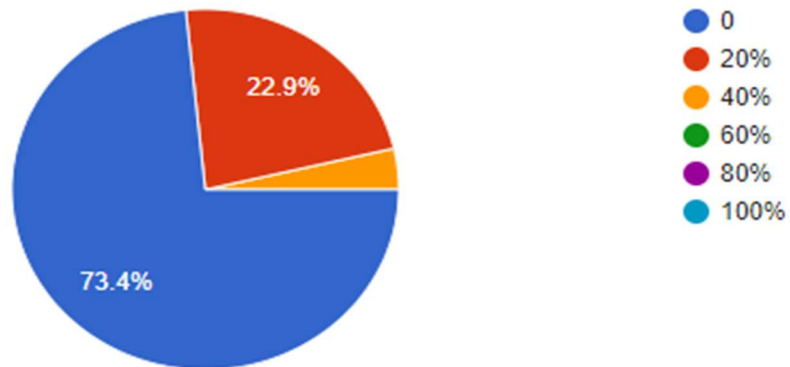


Figure 7 Gold ETF

According to the responses we received, approximately 73.4% of their Investors savings were invested in Gold ETF across different age groups followed by 22.9%.

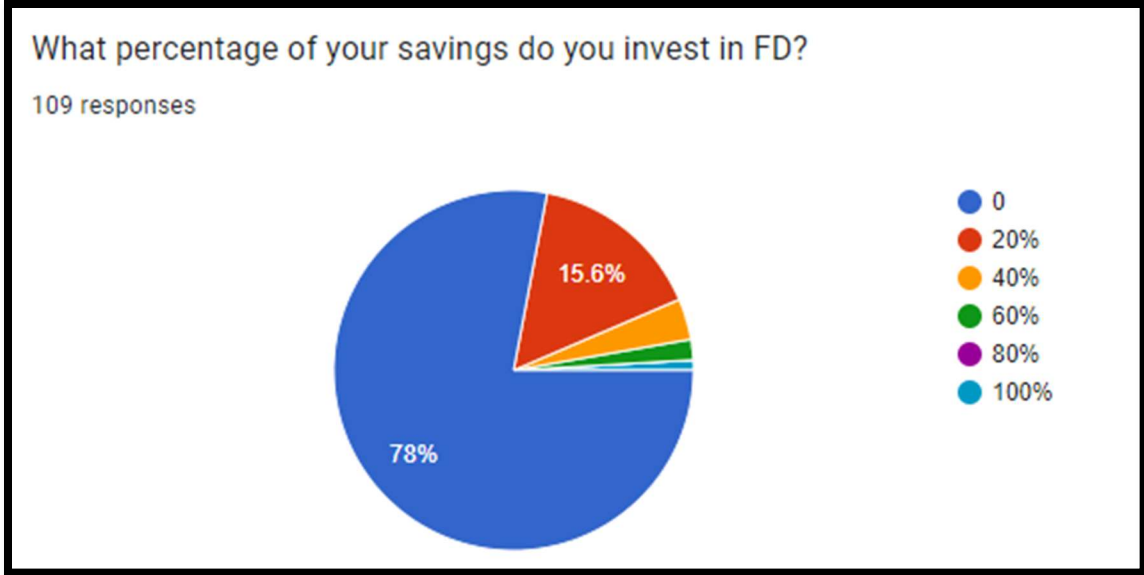


Figure 8 FD

According to the responses we received, approximately 78% of their Investors savings were invested in FD across different age groups followed by 15.6%.

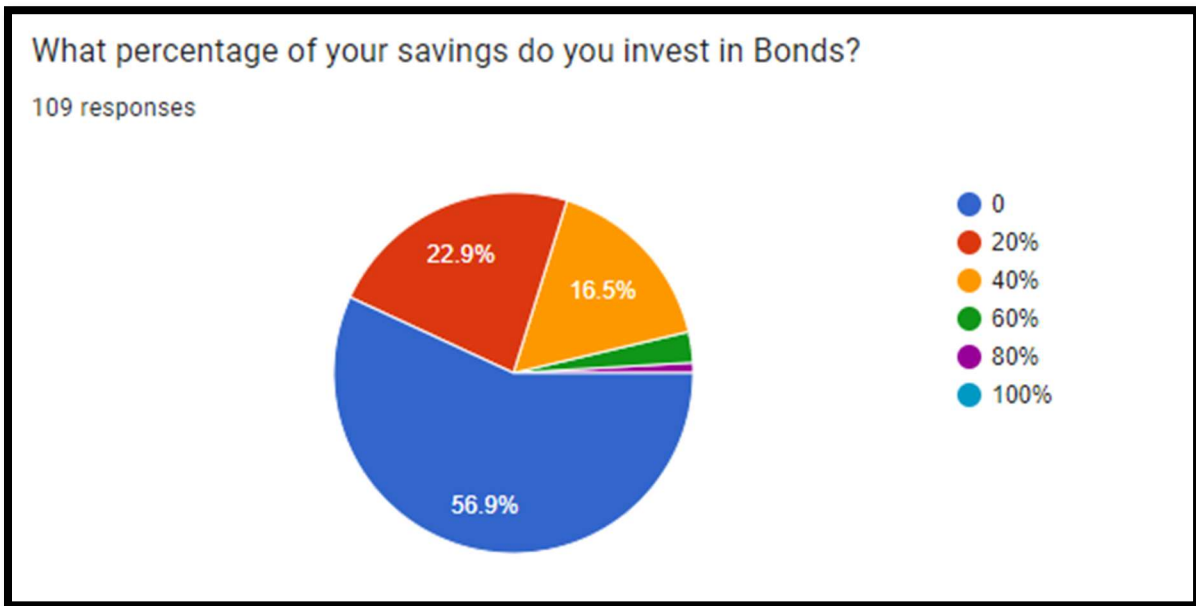


Figure 9 Bonds

According to the responses we received, approximately 56.9% of their Investors savings were invested in BONDS across different age groups followed by 22.9%.

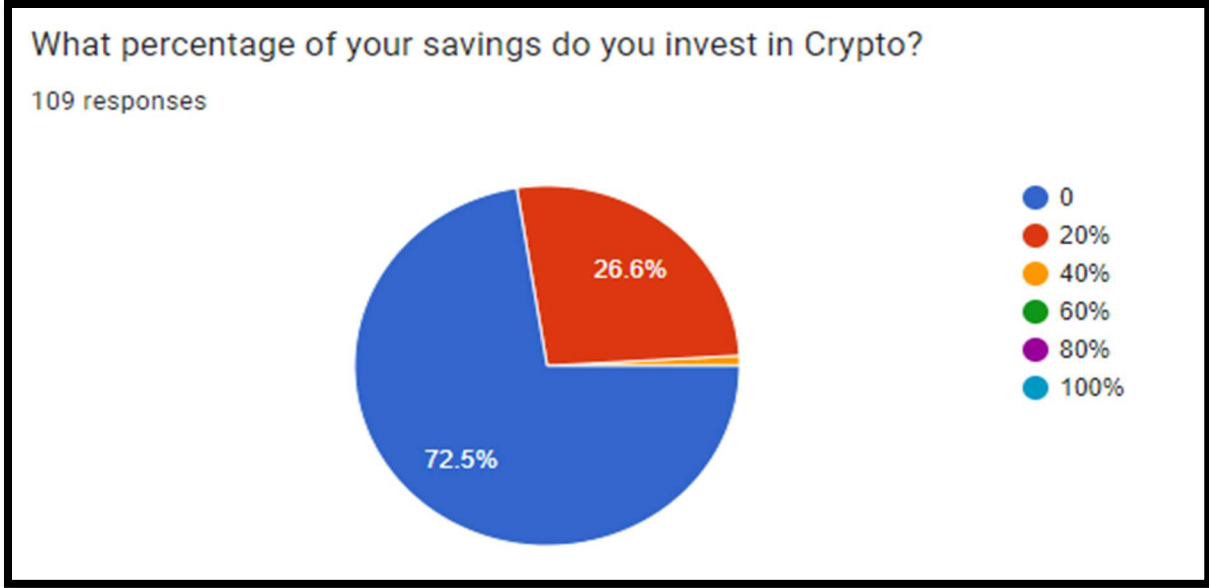


Figure 10 Crypto

According to the responses we received, approximately 72.5% of their Investors savings were invested in Crypto across different age groups followed by 26.6%.

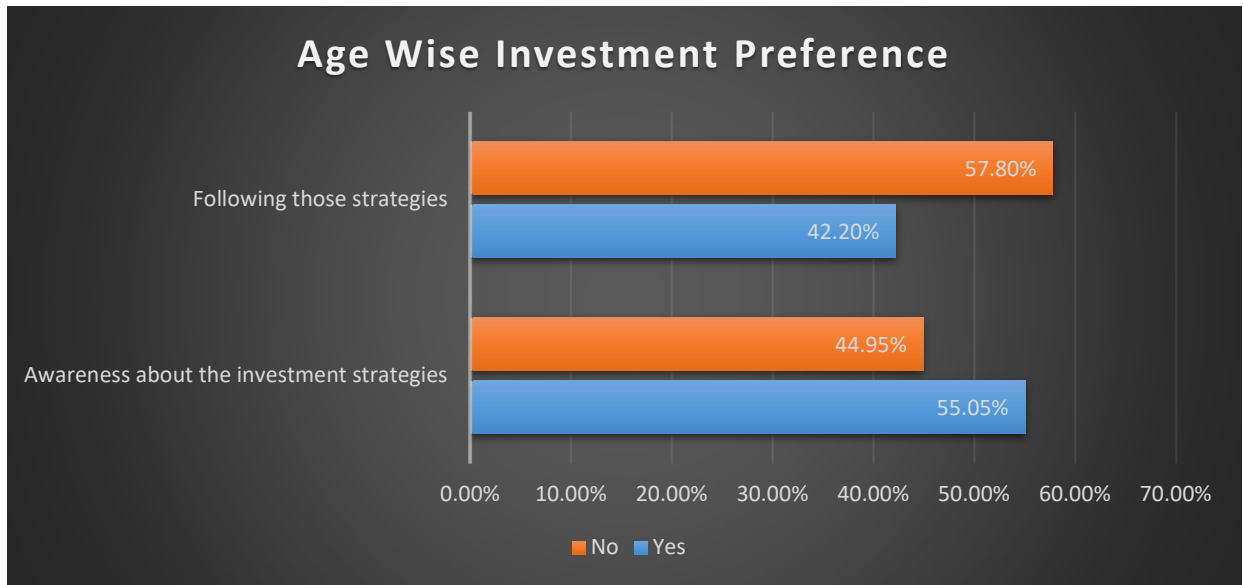


Figure 11

Out of total respondents, 45% are unaware of age wise investment strategies whereas only 42% are aware of those strategies further to our study amongst those who are aware only 13% of them are following the age wise investment strategies.

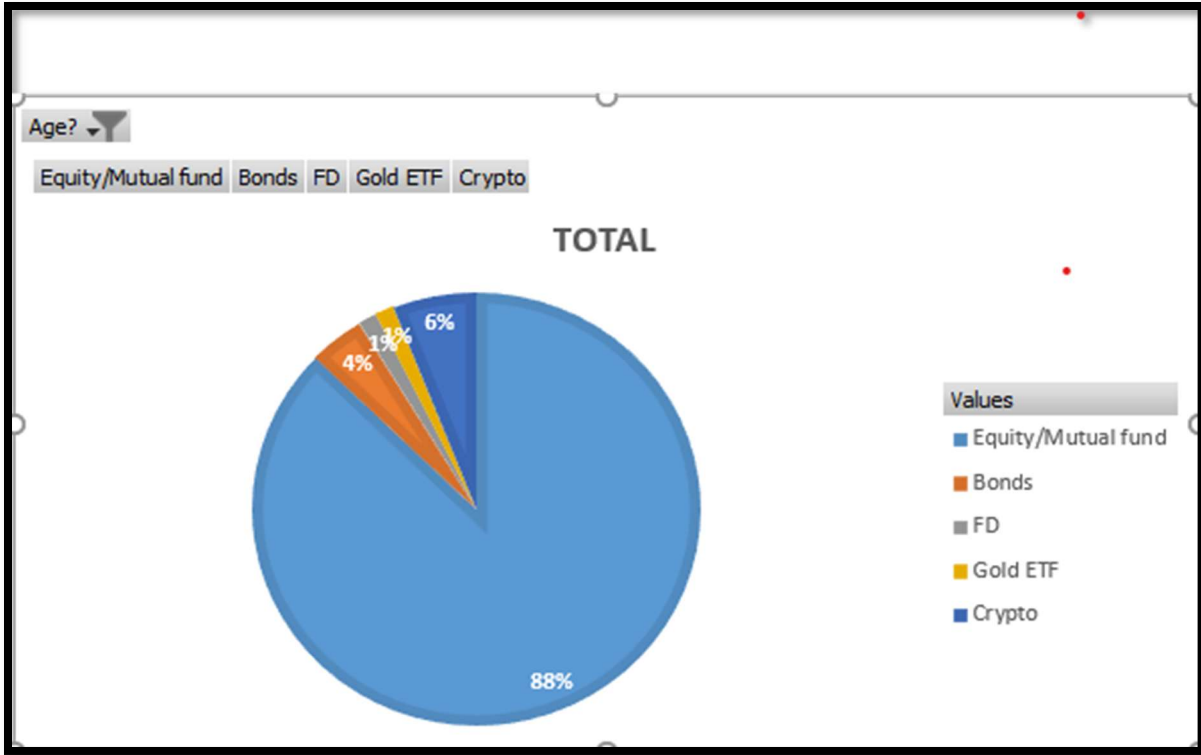


Figure 12 Investment Preference in Age Group 18-24

To understand the survey better, we used pivot table to come to a certain conclusion. According to this pie chart, it depicts that on an average 88% of the younger generation or the 18-24 age group people invest in equity/mutual funds.

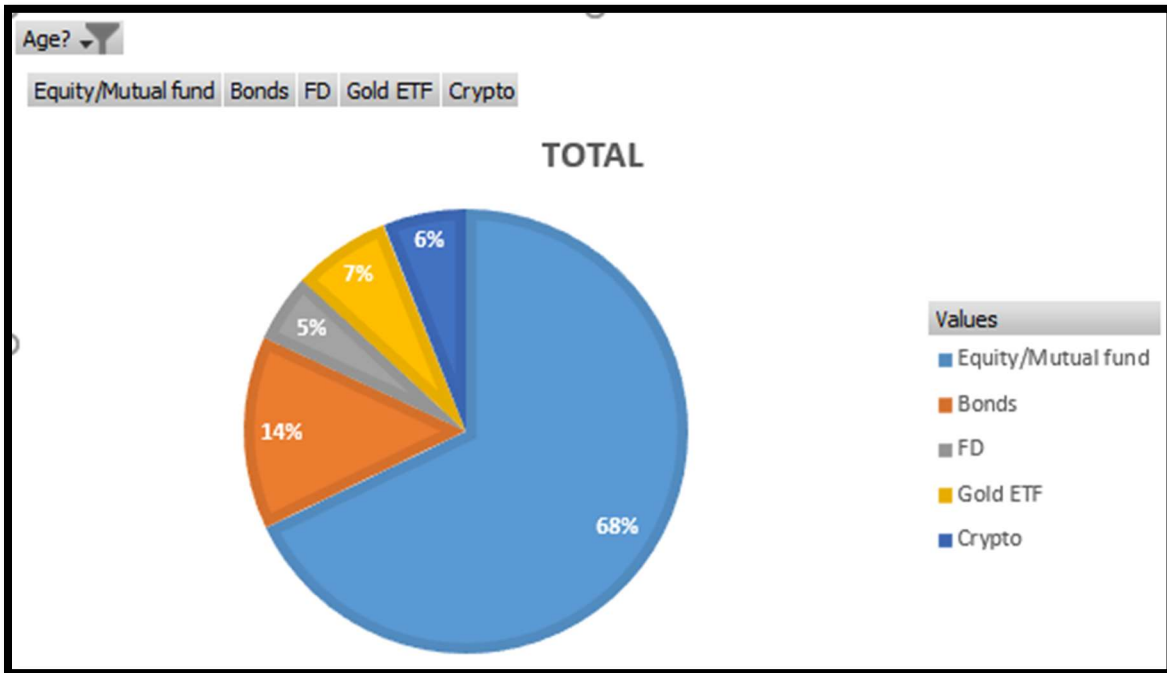


Figure 13 Investment Preference in Age Group 25-40

In the figure, we can see that 68% of the sample size between the age group 25-40 invest in equity/mutual fund. Also, since they have better knowledge about bonds, 14% of them also invest in cryptocurrency as well.

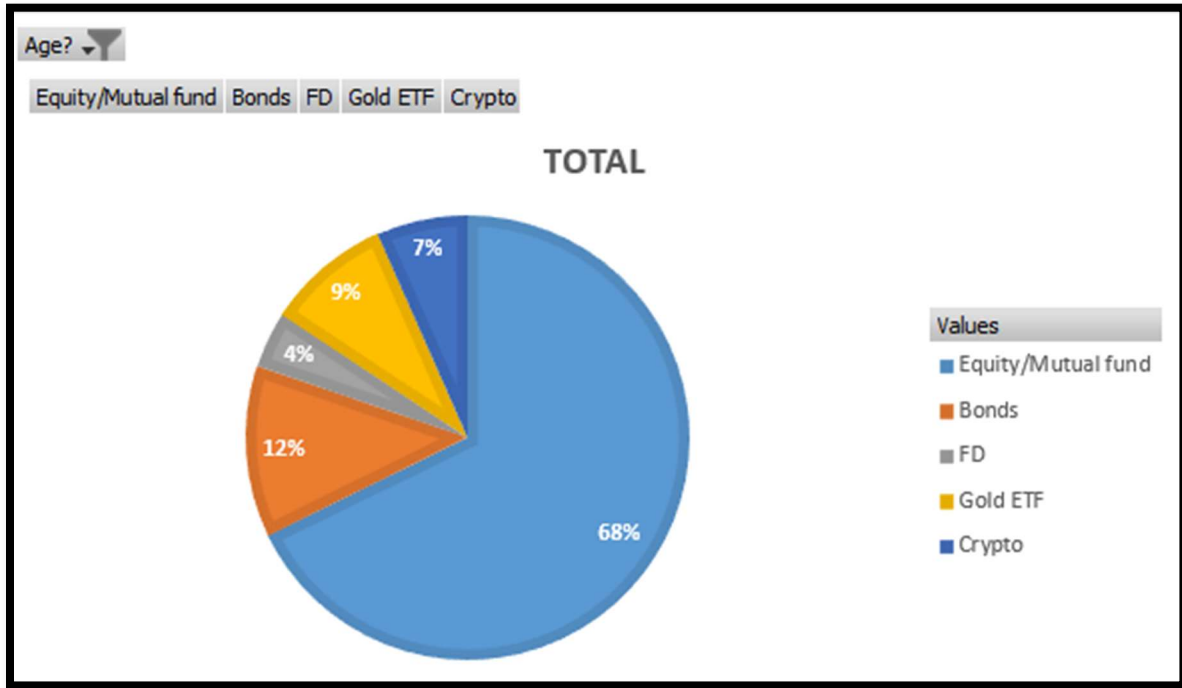


Figure 14 Investment Preference in Age Group 41-60

In this figure, we can see a similar chart like the age-wise investment preference of age group 25-40. Equally, individuals invest in equity and somewhat similar in bonds as well. They invest the most in Gold ETF.

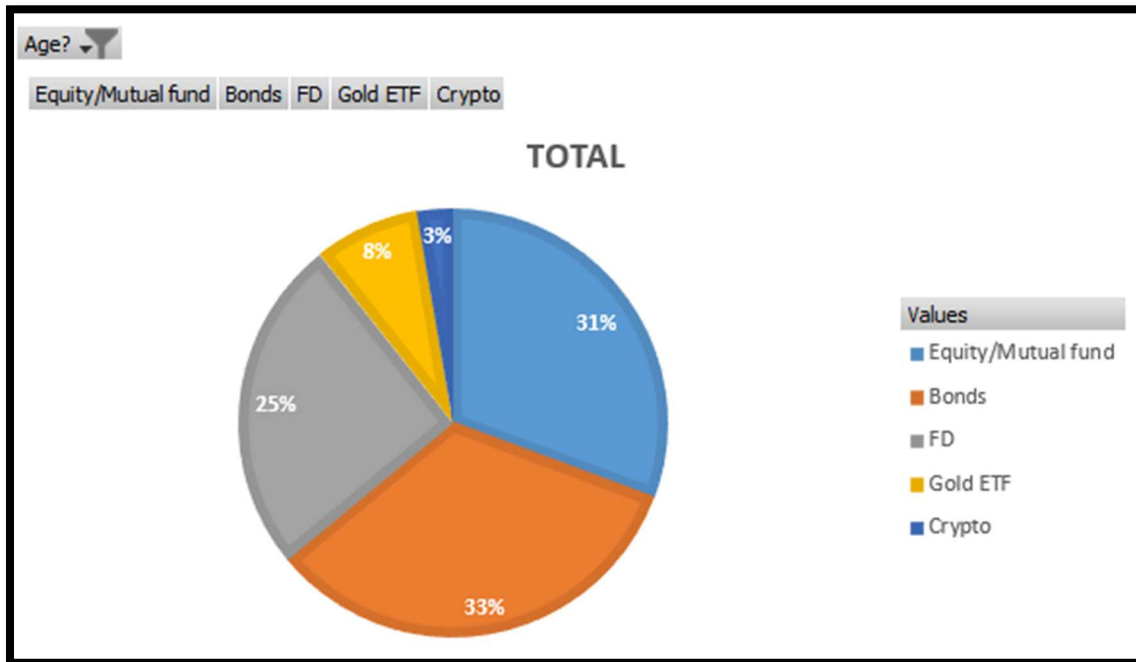


Figure 15 Investment Preference in Age Group 61 & above

In the age group of 61 & above, we see the most diversified investment preferences. 33% in bonds along with 25% in FD shows that they are the majority individuals who invest in bonds and fixed deposits for long-term investment plans. This shows that they plan their retirement from investment preferences.

CONCLUSION

Individuals may have varying preferences for investments depending on their age and income range. Older people with higher income ranges may prefer to invest in low-risk alternatives like bonds or mutual funds, whilst younger people just starting their careers and those with lower income ranges may prefer to invest in high-risk, high-reward options such as stocks.

To balance their portfolio and reduce risks, middle-aged people with steady incomes might decide to invest in a mix of high-risk and low-risk options. Long-term investments like real estate or retirement funds may also be of interest to them.

Similar to this, people with greater income levels typically have a higher appetite for risk and are more inclined to invest in stocks, real estate, and other high-risk assets. However, people with lower income levels typically favor safer investments like fixed deposits and small savings plans.

Age and income range can have a big impact on investment selections. Before making any investing decisions, it is crucial for people to carefully assess their financial objectives and risk tolerance. A well-diversified portfolio that fits their investment tastes and objectives can be created with the help of a financial advisor. Regardless of age or income range, a well-diversified investment portfolio that strikes a balance between risk and returns can help people reach their financial goals.

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