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Investment Preferences among Emerging Adults: A Comparative Analysis of Fixed Deposits, SIPS, and Stocks Using Anova

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Abstract: ***This research paper explores the investment preferences of emerging adults, specifically comparing fixed deposits, systematic investment plans (SIPs), and stocks. Emerging adults, typically between the ages of 18 to 24, represent a key demographic in shaping future financial behaviours. As this group begins to make critical decisions about savings and investments, understanding their preferences can provide valuable insights into the factors influencing their financial choices. The study uses qualitative data collected through surveys, targeting a diverse group of emerging adults. The open-ended survey questions aimed to uncover the motivations, beliefs, and perceptions of participants regarding the three investment options. Participants were asked to reflect on their knowledge, experiences, and the factors that most strongly influenced their investment preferences, such as risk tolerance, financial goals, and social or family influences. The qualitative nature of the data allows for a deeper understanding of how emerging adults perceive each investment vehicle and the reasoning behind their choices. Findings indicate a significant preference for fixed deposits, particularly among those with limited financial knowledge or a stronger aversion to risk. SIPs, on the other hand, are favoured by individuals who seek a balance of risk and return, especially those who are familiar with the concept of regular investment. Stocks, while appealing to some for their potential returns, were often avoided by those with less experience in the market or concerns about volatility. By taking these factors into account, financial service providers can better understand how to effectively cater to their needs.***

Keywords: Investment, income, savings, financial products, Anova

1. Introduction

Investment is a term which primarily boils down to the following questions in people's mind - Where to invest, how much to invest, who should I consult, what would be the returns, when will the plan mature, why should I invest on a particular scheme, which scheme should I select? Time and time again, from emerging adults to retirees, this is a mind-boggling decision to make. While there could be boat load of schemes available in the market, "hitting the bullseye", in our case, the right investment product is an uphill battle. This article aims to show spotlight on the investment product selected by emerging adults such as Fixed Deposits, SIPs and stocks. and the reasons behind them.

What is Investment?
Investing is similar to sowing a seed in an opportunity-rich soil. You carefully choose where to put the seed (your money) and which asset or opportunity to invest in. The seed will eventually develop into a tree that provides fruit, whether it be riches, knowledge, or even relationships, if it is given the right attention and nurturing (management and decision-making). Like any garden, there are hazards, though: the soil may not be perfect, some seeds may not sprout, and others may grow slowly. However, you can reap the benefits later if you are strategic and patient. Investing is essentially the art of managing what you plant now while having faith in the future.

- An investment involves using capital in the present to increase an asset's value over time.
- Investment may include bonds, stocks, real estate, or alternative investments.
- Investments can be diversified to reduce risk, though this may reduce the amount of earning potential.

Fixed Deposit:
Renting a treasure chest for a predetermined period of time is analogous to a fixed deposit. You locate a safe haven (a bank or other financial institution), lock your money and belongings inside, and promise not to touch them for a predetermined amount of time. Over time, the chest adds a little more shine (interest) to your assets in return for your patience. You gain more glitter the longer you keep your jewels in your chest. However, you may lose part of that glitter or incur a penalty if you choose to open the chest before the scheduled time. Although it necessitates keeping your riches locked away for a while, it's a reliable and secure way to cultivate them without worrying about their being misplaced or stolen.

Psychological Aspects of Fixed Deposit Investors:
It can be fascinating to examine the psychological characteristics of fixed deposit investors. There is a feeling of stability and security on the one hand. Many people, particularly those who may have been exposed to the volatility of other assets, view fixed deposits as a safe haven. Knowing the precise amount, you will make over a given time frame can provide a strong sense of control and predictability, which is particularly reassuring in difficult times.

Additionally, there is a component of patience and postponed satisfaction. In order to receive future profits, investors must be prepared to give up instant access to their money. This draws on their capacity to have faith in the process and adopt a long-term perspective. Following the plan and resisting the urge to spend or withdraw can also be a sign of self-discipline.

On the flip side, people might also feel like they're missing out or settling for less. Some investors may experience a pull to chase bigger returns in riskier investments, which can result in disappointment or annoyance if they think they could be making more money elsewhere. They might have a nagging feeling of standing still because fixed deposits offer low returns, and they could worry they're not making the most of chances to grow their money in the market.

Also, the fear of losing money and being cautious about risks often push people towards fixed deposits. For those who prefer to play it safe with their investments, the promise of a set return helps calm their worries about losing money even if they could make more elsewhere. This rings true for older folks or those close to retirement who care more about keeping their money safe than trying to earn big returns.

We can't ignore the social and cultural angle. Some societies view fixed deposits as a time-honoured and reliable way to save money, which adds to a feeling of tradition or standing. People might put their cash into fixed deposits because it's a habit they picked up from their family or because it's a respected way to secure their finances.

To sum up fixed deposits often strike a balance between feeling safe, being patient, avoiding regret, and sometimes even tapping into a bit of nostalgia or cultural comfort.

SIPs:

SIP stands for Systematic Investment Plan. It is an approach to making a fixed amount of money into mutual funds on a recurring basis. Here, rather than deploying a whole-sale investment, SIP provides the opportunity of placing smaller investments at regular intervals-for example, monthly, quarterly, etc. This paradigm facilitates the extension of the investment amount over time and thus helps mitigate the consolidation of the investment after one go in times when market conditions are potentially not favourable.

Psychological Aspects of SIP Investors:

SIP investors tend to have long-term financial goals. They are commonly motivated to accumulate wealth over time for purposes such as retirement, learning, or buying in the future. This involves a degree of tolerance and an attitude to withstand short-term market oscillations in the hope of achieving long-term growth. Reliance on continuous, market-regardless, investing indicates a high degree of future financial goal commitment.

A key psychological characteristic of SIP investors is discipline. Creating a regular fixed amount to invest builds a habit of routine and structure in their financial circumstances. This pattern will produce an effect of certainty, as the trader will not be obliged to anticipate market movements or to act irrationally. The passive nature of SIPs is typically compatible with investors' desire for simple, low-input wealth-accumulation.

On the other hand, SIP investors may experience psychological discouragement in the event that results are not immediately forthcoming or if their SIPs fall short of their expectations in the short term. Since SIPs are contextually hindsight-oriented, some investors may experience impatience, especially during times of market crashes or when SIP performance is compared to those of high-risk, high-reward risky investments.

SIP investors can also feel the exhilaration and incentive of compounding growth. The more time they spend invested, the greater the potential benefit from compounding returns. This knowledge can lead to an attitude of optimism, as they are expecting future benefits (rewards) from the steady, escalating of growth of their assets.

Stocks:

Stocks also known as equities are shares of ownership from a company. If you buy a stock, you are buying a tiny piece of that company. As a shareholder, you hold a stake in the company and can profit from the company's success through capital appreciation stock price rises and potentially through dividends part of the profits of the company.

Stocks are most commonly traded on stock exchanges, such as the New York Stock Exchange. The stock price can change a lot depending on various reasons such as the company's performance, the industry trend, the overall market prevailing and investor reaction, etc.

Psychological Aspects of Stock Investors:

Investing in stocks inherently involves risk. To some investors, the prospect of very large gains can be a stimulus, while in the case of others, the fear of capital loss can drive excessive anxiety or avoidance of specific stocks. Risk tolerance is subjective and risk-averse people may find stock investing to be more stressful-particularly in market downturns.

Loss aversion is a compelling social drive toward regret, whereby investors are significantly discomfort deeper by a loss event than they are comfortable deeper by an equivalence gain event, that they are inclined to take a greater risk in a future loss event than a future gain event. This can make them take excessively risk averse decisions or panic sell when the prices fall.

Behavioural momentum is the psychological notion of continuity of certain behaviours or patterns once it is firmly in place. For stock traders, this could involve continuing to own an individual stock just because they've owned it a little while or just because they've always bought/sold in the stock market, regardless of changing conditions.

Delayed gratification is characteristic of successful stock traders. They forgo selling when particular stock prices drop temporarily, knowing that the market moves and that long term return is often a waiting game.

Patience is also very important during market downturn or times of low returns. Investors who can keep their nerve and not sell out panicking often do much better in the long run.

High net worth individuals, including doctors, lawyers, entrepreneurs, executives, etc., are relatively frequent stock investors. They could have the funds to further take more risk or to invest in more different portfolios. For them, stocks are a vehicle with which to generate their net worth, particularly if they already have significant liquid assets or a strong income stream from their occupations. The psychological traits of this type of investors can be financial security, confidence, and a desire to grow wealth beyond traditional savings.

Entrepreneurs who is ready to take risk with growth-oriented mindset and they also have experience in running businesses may also invest in stocks, either as a way to diversify their portfolios or to take advantage of opportunities in sectors they understand. Their entrepreneurial personality can be seen playing an important role in openness to risk and innovation, as they are used to dealing with the degree of uncertainty.

Hypothesis

Null Hypothesis (H_0)
There is significant difference in investment preference between Fixed Deposits, SIPs and Stocks.

Alternative Hypotheses (H_1)
There is significant difference in investment preference between Fixed Deposits, SIPs and Stocks.

2. Methodology

Population
18–24-year-old individuals

Sample Size
A sample of 56 respondents from this age group

Data Collection

Statistical Tool: ANOVA

Table 1: Descriptive Statistics for each group

Groups	Count	Sum	Average	Variance
Fixed Deposit	56	502.5	8.9732	181.31
SIP	56	37.5	0.6696	25.112
Stock	56	155	2.7678	66.5178

Count: Number of responses in each group (n=56 for all groups).
Sum: Total of all dependent variable values in each group.
Average: Mean of the dependent variable for each group (investment allocation percentages).
Variance: Spread of data within each group. A larger variance indicates more variability in the group.

Table 2: ANOVA Table

Source of Variation	SS	df	MS	F	p-value	F crit
Between Groups	2088.02083	2	1044.01	11.47506	2.16E-05	3.050787
Within Groups	15011.8304	165	90.98079			
Total	17099.8512	167				

SS (Sum of Squares):
- **Between Groups (2088.02083):** Variation caused by the differences between group means.
- **Within Groups (15011.8304):** Variation caused by differences within individual groups.
- **Total (17099.8512):** Overall variation in the data.

df (Degrees of Freedom):
- **Between Groups:** Number of groups - 1 = 3 - 1 = 2.
- **Within Groups:** Total observations - number of groups = 168 - 3 = 165.

MS (Mean Squares):
MS=SS/df
- **Between Groups:** 2088.02083/2=1044.01
- **Within Groups:** 15011.8304/165=90.98079

F-Statistic (F):
- F=MS Between/MS Within=1044.01/90.98079=11.47506
- The larger the F-value, the more significant the differences between group means.

p-Value (2.16E-05):
- Indicates the probability that the observed differences between group means occurred by chance.
- A very low p-value (< 0.05) suggests a statistically significant difference between groups.

F crit (3.050787):
- The critical F-value at the specified alpha level (0.05).
- If F>Fcrit the null hypothesis is rejected.

3. Interpretation of Results

1) **p-Value and F-Statistic:**
- The p-value (**2.16E-05**) is much smaller than 0.05.
- The F-statistic (**11.47506**) is greater than the F crit (**3.050787**).
- Therefore, **reject the null hypothesis (H_0)**.
- **Conclusion**: There is a statistically significant difference in the percentage of monthly income/savings allocated to investment among individuals preferring Fixed Deposit, SIP, or Stocks.

2) **Group Averages:**
- Fixed Deposit: **8.97%**
- SIP: **0.67%**
- Stocks: **2.77%**

Fixed Deposit shows the highest allocation on average, while SIP has the lowest. Variance is also highest for Fixed Deposit, indicating more diverse responses within that group.

4. Findings from the Analysis

Based on the ANOVA results and descriptive statistics, we can summarize the findings as follows:

1) **Significant Difference in Investment Preferences**:
- The p-value (2.16E-05) is much smaller than the significance level of 0.05, indicating that there is a statistically significant difference in the investment preferences between Fixed Deposits, SIPs, and Stocks.
- Additionally, the F-statistic (11.47506) is greater than the critical F-value (3.050787), further supporting the rejection of the null hypothesis. Therefore, we can conclude that there are significant differences in how individuals from the 18–24 age group allocate their investments across these three options.

2) **Average Investment Allocation:**
- **Fixed Deposit**: On average, respondents allocated 8.97% of their income or savings to Fixed Deposits. This category had the highest average allocation among the three groups.
- **SIPs (Systematic Investment Plans)**: The average allocation for SIPs was 0.67%, which is the lowest among the three options.
- **Stocks**: Respondents allocated an average of 2.77% to stocks, which falls between Fixed Deposits and SIPs in terms of allocation.

3) **Variance:**
- The variance in investment preferences was highest for Fixed Deposits (181.31), which indicates a greater spread and variability in the responses for this investment type. This suggests that individuals who prefer Fixed Deposits have more diverse opinions or behaviour regarding their investment choices.
- In contrast, SIPs have the lowest variance (25.112), indicating that the responses were more consistent among respondents.
- Stocks had a moderate variance (66.5178), showing some variability in how individuals view stock investments.

5. Conclusion

On the basis of the results of the ANOVA test, we are in a position to state with certainty that a statistically significant difference exists between the preferences of investment between Fixed Deposits, SIPs, and Stocks. The p-value of 2.16E-05 is much smaller than the significance level of 0.05, and the F-statistic (11.47506) exceeds the critical F-value (3.050787), leading us to reject the null hypothesis (H_0).

In addition, the mean investment allocation shows that Fixed Deposit is invested to the highest mean percentage of the portfolio (8.97%, while SIP is invested to the lowest mean percentage of the portfolio (0.67%. Stocks are represented with an average allocation of 2.77%. Variance is significantly greater in the Fixed Deposit group, implying a greater variation amongst the SIPs and Stocks category in respondents from this category as compared to SIPs and Stocks.

In conclusion, for 18-24-year-age group, a significant difference in amount of investible capital being distributed among the three investments has been observed, Fixed Deposits being most preferred, then followed by Stock and finally Subscription plan of Investments. These results indicate that young investors could give more weighting to safety and to stability (for example, for Fixed Deposits, or could simply be more experienced in their investment options. This vision might be useful to financial institutions and financial advisers to identify the needs of this generation in the design of investment products or educational materials.

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Appendix (Questionnaire)
Section 1: Demographic Details:
1) Name
2) Age
   - 18
   - 19
   - 20
   - 21
   - 22
   - 23
   - 24
3) Gender
   - Male
   - Female
4) Educational Background
   - High School

- Undergraduate
- Postgraduate
- Doctorate

5) Employment Status
   - Student
   - Employed
   - Self Employed
   - Business

Section 2: Investment Choices:

6) Which financial product do you currently prefer for investment?
   - Fixed Deposit
   - SIP (Systematic Investment Plan)
   - Stock
7) How long do you typically hold onto your investment?
   - Less than 1 year
   - 1-3 years
   - 3-5 years
   - More than 5 years
8) Which factor influences your investment decision the most?
   - Safety of Capital
   - Potential Returns
   - Liquidity (ease of access to money)
   - Advice from family/friends/financial advisor

Section 3: Risk Tolerance:

9) How do you perceive risk in investment?
   - I avoid risk and prefer guaranteed returns
   - I am comfortable with moderate risk for better returns
   - I am willing to take high risks for higher potential gains
10) If hour investment lose value, what action are you most likely to take?
   - Sell immediately to avoid further losses
   - Wait and observe market conditions before deciding
   - Invest more in the hope that prices will recover
11) How much of your monthly income/savings do you allocate to investment?
   - Less than 10%
   - 10-25%
   - 25-50%
   - More than 50%

Section 4: Investment Knowledge:

12) How knowledgeable do you consider yourself about different financial products?
   - Not Knowledgeable
   - Somewhat Knowledgeable
   - Moderately Knowledgeable
   - Very Knowledgeable
13) How often do you follow market trends and financial news?
   - Rarely
   - Occasionally
   - Frequently
   - Daily
14) Which source do you rely on for financial advice?
   - Friends/Family
   - Financial Advisors
   - Social Media/Online Platforms
   - Financial News/Reports

Section 5: Risk Appetite Classification (Conservative, Moderate, Aggressive):

15) Imagine you receive an unexpected sum of money. Where are you most likely to invest in it?
   - Fixed Deposit (Low Risk)
   - SIP (Moderate Risk)
   - Stocks (High Risk)
16) If you had to choose between these 3 portfolios, which one would you prefer?

- 80% Fixed Deposit, 10% SIP, 10% Stocks
- 30% Fixed Deposit, 40% SIP, 30% Stocks
- 10% Fixed Deposit, 20% SIP, 70% Stocks