# Variables influencing preferences for stocks (high risk investment) *vis-à-vis* fixed deposits (low-risk investment)

## A comparative study

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### Abstract

**Purpose** – The paper, an exploratory attempt, aims to analyze the perception of individual investors of stock market of Punjab towards investing in stocks *vis-à-vis* fixed deposits. For the purpose, the most and least influencing variables affecting the decisions of individual stock investors to invest in stocks and fixed deposits were gauged and the comparison for such variables influencing their preferences was conducted.

**Design/methodology/approach** – A pre-tested, well-structured questionnaire which was administered personally and the responses of 241 respondents were analyzed. The responses have been analyzed with the help of weighted average scores method used to identify the most and least influencing variables and paired sample *t*-test is applied to the data to identify if there exists any significant difference in the variables influencing the investment preferences for stocks (high-risk investment) *vis-à-vis* fixed deposits (low- and medium-risk investment).

**Findings** – High returns was found as the most important variable while investing in stocks and stability of income as the most important variable while investing in fixed deposits. Religious reason is the only variable found as the least influencing variable for individual investors in Punjab while investing in both avenues, i.e. stocks and fixed deposits. Statistically significant difference exists in perception of individual investors for 22 variables towards the preference for stocks *vis-à-vis* fixed deposits.

**Practical implications** – The current research will be helpful for financial service providers in understanding the investment preferences of the individual stock investors on the basis of variables influencing such preferences and suggest them investment options as per their perceptions and needs.

**Originality/value** – This paper is a first of its kind to empirically compare the variables influencing the preferences for high-risk investments *vis-à-vis* low-risk investments of individual investors of Punjab, India and contributes to the understanding of the investor behaviour.


**Keywords** Stocks, Comparison, Fixed deposits, Individual investors, Paired sample *t*-test, Weighted average scores

**Paper type** Research paper

## Introduction

Investment decisions are about making choices: Will income be spent or saved? And when the choice comes for saving, the saver must decide where to invest. In effect, investor needs to decide on a portfolio of assets to own. Individuals making investing decisions face a

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daunting task (Ackert and Church, 2006). Today, the financial services and the economic sector are highly diversified than ever. This diversification implies that the individual investors have a wider range of investment instruments to invest in and there is much greater choice for them on how to invest their money (Warren *et al.*, 1990).

There are many assets (e.g. stocks, bonds, derivatives, fixed deposits, gold real estate, etc) which an investor can include in his portfolio (Mayo, 2009). Each of this investment has common characteristics such as potential return and the risk one must bear. The future is uncertain, and one must determine how much risk you are willing to bear, as higher returns are associated with accepting more risks (Kabra *et al.*, 2010).

Financial products act as an investment avenue and provide the required financial security to the investors based on the risk-return profile of the financial products. In the past, traditional financial products were offered in India through government initiatives by public sector banks such as deposit account, credit account, Life Insurance Corporation and postal department (recurring deposit, National Saving Certificate, Kisan Vikas Patra).

However, in recent years, with the advent of liberalization of financial services industry, diverse financial products have been introduced through participation of private and foreign entities in addition to the public sector enterprises. These include products such as debit and credit cards by banks, open- and closed-end mutual fund schemes (Exchange Traded Funds [ETFs], Index Funds, Systematic Investment Plans [SIP], sector funds, etc.), life and non-life insurance schemes (Unit Linked Investment Plans, pension plans, children education plans, etc.). It further includes shares and debt securities offered by various entities, investments in which are mainly facilitated by the brokerage houses. This has led to rising competition through introduction of innovative and attractive products, regulatory initiatives and growth in the investor base along with increased marketing activities in the financial sector. The introduction of varied products has increased the scope of the financial sector to a very large extent.

## Literature cited

Lease *et al.* (1974) focussed on finding out who the individual investor is, how he makes his decisions, his dealings with his broker and analysis of his asset portfolio among the US investors. With the help of a questionnaire, the investment strategies followed by investors were determined. The responses portrayed that the investors followed a fundamental approach preferring a balanced and well-diversified portfolio of income. It was found that investors preferred long-term capital appreciation securities with dividend income instead of short-term gains. The decision framework of investors revealed by their responses was that the groups preferred journals and newspapers as sources of information. The factors such as age, income level and sex (in descending order) were found as dominant elements in effecting individual investor's behaviour regarding taking investment decisions and forming strategies.

Nagpal and Bodla (2007) attempted to understand the individual investor's pattern of investments and analyzing the investor's preferences for various investment alternatives across the demographic and psychographics dimensions. The survey was limited to the urban areas of Haryana, Delhi and Chandigarh. The study brought out that the highest percentage of investors, i.e. 86.29 per cent invested in insurance policies followed by investments in fixed deposits with banks or post offices and then EPF/PPF and NSC. The authors found three segments of investors, i.e. aggressive, moderate and conservative investors, on the basis of their lifestyles. Kumar *et al.* (2008) studied the financial product preferences of Tiruchipalli investors to rank their product preferences among investment choices, i.e. post office savings, bank deposits, gold, real estate, equity investment, mutual fund. The preferences of the respondents were known according to their attributes, i.e. safety of principal, liquidity, stability of income, capital growth, tax benefit, inflation resistance and concealability. The authors studied this concept, as they found that the investors are unlikely to determine the financial product preference, i.e. which is better on each attribute. So, the investors needed to make choices depending on what is available and what are his own priority ratings of attribute he wants in his product. The rank preferences of investors were post office, bank deposits, gold, real estate, equity investment and mutual fund.

Walia *et al.* (2009) evaluated the investor's perception towards risk-return trade-off for mutual fund services in comparison to other avenues like insurance, government securities and shares. The authors made use of a structured questionnaire to know the experience of existing investors. Selective systematic sampling was taken for consideration. For reliability of the questionnaire, 100 individual investors were selected from different regions of Punjab which included selective investors who were assumed to be having complete knowledge of financial environment. Age constraint was considered. The authors identified critical gaps in the existing services and found the need of some innovations and added quality dimensions in the existing services. It was concluded that due to stock market volatility movements, most of the investors were holding stock with calculated risk in shape of mutual funds. Age constraint considered in this questionnaire was minimum 18 years. Another objective was to find critical gaps in mutual funds services towards transparency and disclosure practices .Chi-square test was applied on the data collected. So, the mutual funds were proved to be the most preferred financial avenue as compared to other avenues provided they were put before the investors in the desired form in addition to quality services.

Kabra *et al.* (2010) studied the various factors that influenced investment risk tolerance and decision-making process among men and women and among different age groups. The major variables considered for the study were investing background, opinion, leadership, duration of investment, awareness of investments and security. The authors concluded that risk-averse people opted for insurance policies, fixed deposits with banks, post office, PPF and NSC. Harikanth and Pragathi (2012) analyzed the factors that influence the investment behavior of individual investors, attitude of respondents towards different financial investment and awareness of investors towards various investment avenues. Data were collected with the help of a structured questionnaire relating to socio-economic background of employees consisted of 12 questions relating to age, educational qualification, income, etc. and 23 statements relating to various factors of avenue selection for the study. The sample size was 270 respondents who were randomly selected from urban investors of two districts of Andhra Pradesh i.e. Warangal and Karimnagar. The data were analyzed by using the simple descriptive tools like averages and percentages which were performed using Microsoft Excel application package and the secondary data were obtained from various Internet websites, journals, magazines and other published sources. It was found that educated males were more interested in risky avenues like shares than female's investors. Female investors were not found aware of shares and mutual funds. They also make a good portfolio and think for their future with an objective of getting high capital gain from a particular avenue. Significant relationship between income and occupation on investment avenues was found to satisfy safety, periodic return, liquidity, better future and future contingency needs, etc. Risks bearing capacity and educational level of investors were also found as the two main factors which affect the investment avenues selection. Male urban investors were found as participative in nature with regard to investment avenues selection due to their larger exposure to market knowledge as compared to females.

Bashir *et al.* (2013) analyzed the differences across demographics regarding investment preferences consisting of stock investment and gambling decisions of the salaried individuals of finance teachers and bankers of Gujarat and Sialkot of Pakistan. Questionnaires developed by Lennar Sjoberg and Elisabeth Engelbergare were distributed among bankers and finance teachers of Gujarat and Sialkot (total 150). Out of 150 questionnaires distributed, 120 were returned. The main objectives of the study included measuring the risk level of salaried individuals that was determined according to their income, education and age, analyzing the risk differential between salaried males and females and gauging the preferences of salaried individuals in stocks and gambling. To test the reliability of the questionnaire of Cronbach's alpha coefficient of gambling, stock investment and risk level was calculated. Correlation analysis was done to find significant differences between demographics *vis-à-vis* with investment and gambling. Females were found more risk averse than males. The factors such as emergence of frequent religious issues, non-conducive economic environment and culture were found to be the main factors having negative relationship with gambling. The young and educated people were found attracted towards new risky investment opportunities.

## Need of the study and objectives

The need for the study arises, as in Punjab, the research focussing on identifying the variables that influence the preferences of investors for stocks *vis-á - vis* fixed deposits and make a comparison of preferences on the basis of the studied variables, has not been researched so far. So, the present study aims to fulfil the gap with the following objectives:

- To identify the most and least influencing variables affecting the decisions of individual stock investors to invest in stocks.
- To identify the most and least influencing variables affecting the decisions of individual stock investors to invest in fixed deposits.
- To conduct a comparative analysis of the perception of respondents for variables influencing their investment preferences for stocks (high risk investment) *vis-à-vis* fixed deposits (low risk investment).

## Methodology

The present study is based on responses of 241 individual stock investors of Punjab. The total primary data were collected from 607 individual stock investors from three major cities of Punjab, i.e. Amritsar, Jalandhar and Ludhiana. The investors were interviewed through a pre-tested, well-structured questionnaire which was administered personally. Convenience cum judgmental sampling technique along with simple random sampling has been used. Convenience cum judgmental sampling technique has been used to select stock broking houses in three districts of Punjab. Further, simple random sampling technique was used to select the respondents' list of regular investors that were taken from each broking house and regular investors were selected from the list provided using a chit method. Further, the process was repeated using the chit method unless required sample was not fulfilled. The lists included the name and contact number of the individuals. It is worthwhile to mention here that the individual investors were residents of the cities surveyed and the study is confined to the octroi limits of the mentioned cities. Out of 710 questionnaires distributed, 607 complete and usable responses were used for analysis purpose.

**Research instrument (questionnaire)**

Twenty eight variables were retrieved from the review of literature to identify the variables that influence the purchase decisions of investors for stocks *vis-à-vis* other investment. The responses of the respondents were sought on a five-point Likert scale ranging from most important to least important. To analyze these responses, weights were assigned to these responses (5 for most important, 4 for important, 3 for indifferent, 2 for unimportant and 1 for least important).The investors were asked to rate for 28 variables that influence them to invest in stocks. Likewise, the investors were asked about one of the highly preferred low- or medium-risk investments by them and then rate variables on a similar scale of 28 variables of most important to least important that influence their preference.

Two hundred forty-one respondents out of 607 respondents preferred fixed deposits as a highly preferred investment, except stocks. Likewise, 207 respondents stated their preference for gold and 124 respondents retorted real estate as their highly preferred investment, 10 respondents stated insurance, 14 respondents stated mutual funds, 5 respondents stated infrastructure bonds/government securities and 6 respondents stated SIPs as their highly preferred investment except stocks. So, in the present study, responses of 241 respondents who stated fixed deposits are considered for analysis purpose. Weighted average scores (WAS) method has been used to identify the most and least influencing variables. However, paired sample *t*-test is applied to the data to identify if there exists any significant difference in the variables influencing the investment preferences for stocks (high risk investment) *vis-à-vis* fixed deposits (low and medium risk investment).

*Identifying the most and least influencing variables while investing in stocks*

This section focuses on determining the importance of the variables to the individual investors' while making decision to invest in stocks. It identifies the variables that most and least influence the stock purchase decisions of the individual investors. A description of these variables in terms of frequencies, percentages, values, weighted average scores and standard deviation is given in Table I. Table I ranks the variables by the frequencies with which respondents considered them to have significant influence on stock purchase decisions. The responses of the individual investors have been interpreted according to the following criteria:

- MImp/Imp if WAS $\geq 3.25$
- Indifferent if $2.25 < \text{WAS} < 3.25$
- Unimp/Limp if WAS $\leq 2.25$

Table I shows that the respondents have been found agreeing to 21 variables as MImp/Imp, i.e. high returns, liquidity, convenience, tax benefits, capital growth, flexibility, concealability, diversification needs, risk associated, professional management,

**Table I.**
Most and least influencing variables affecting purchase decisions of stocks

| Variables | MImp (Frequency) | Imp (Frequency) | ID (Frequency) | Unimp (Frequency) | Limp (Frequency) | WAS | *SD* | Rank |
|---|---|---|---|---|---|---|---|---|
| High returns | 289 | 262 | 49 | 7 | 0 | 4.40 | 0.679 | *1* |
| Liquidity | 181 | 303 | 77 | 15 | 31 | 4.17 | 0.889 | 2 |
| Convenience | 202 | 276 | 82 | 37 | 10 | 4.03 | 0.928 | 5 |
| Tax benefit | 146 | 186 | 144 | 84 | 47 | 3.49 | 1.214 | 16 |
| Safety of principal | 60 | 129 | 196 | 164 | 58 | 2.95 | 1.122 | 26 |
| Capital growth | 220 | 231 | 105 | 32 | 19 | 3.99 | 1.015 | 6 |
| Future security | 96 | 197 | 137 | 103 | 74 | 3.23 | 1.251 | 23 |
| Flexibility | 202 | 224 | 114 | 58 | 9 | 3.91 | 1.015 | 7 |
| Concealability | 117 | 264 | 128 | 74 | 24 | 3.62 | 1.051 | 13 |
| Diversification needs | 246 | 228 | 85 | 30 | 18 | 4.08 | 1.033 | 3 |
| Stability of income | 84 | 190 | 176 | 103 | 54 | 3.24 | 1.156 | 22 |
| Low transaction cost | 61 | 170 | 101 | 190 | 85 | 2.89 | 1.243 | 27 |
| Risk associated | 137 | 314 | 79 | 63 | 14 | 3.82 | 0.973 | 8 |
| Professional management | 128 | 216 | 140 | 97 | 26 | 3.53 | 1.118 | 14 |
| Legality | 117 | 268 | 127 | 77 | 18 | 3.64 | 1.024 | 12 |
| Rumours | 154 | 240 | 113 | 58 | 43 | 3.67 | 1.156 | 10 |
| Competing financial needs | 111 | 194 | 131 | 97 | 74 | 3.28 | 1.274 | 20 |
| Terms and conditions | 151 | 217 | 81 | 112 | 46 | 3.52 | 1.254 | 15 |
| Current economic indicators | 192 | 198 | 108 | 60 | 40 | 3.70 | 1.236 | 9 |
| Religious reasons | 0 | 2 | 101 | 232 | 272 | 1.72 | 0.744 | *28* |
| Inflation resistance | 126 | 213 | 129 | 80 | 59 | 3.44 | 1.229 | 18 |
| Financial analyst and advisor recommendation | 112 | 154 | 174 | 106 | 61 | 3.25 | 1.229 | 21 |
| Past performance of your portfolio | 141 | 176 | 143 | 128 | 19 | 3.48 | 1.152 | 17 |
| Coverage in financial news | 167 | 212 | 120 | 65 | 43 | 3.65 | 1.191 | 11 |
| Family member opinion | 73 | 182 | 173 | 112 | 67 | 3.14 | 1.179 | 24 |
| Friend or peer recommendation | 73 | 181 | 173 | 119 | 61 | 3.14 | 1.166 | 25 |
| General trend of investment in public | 116 | 196 | 142 | 95 | 63 | 3.33 | 1.242 | 19 |
| Fluctuations in stock index | 240 | 221 | 110 | 26 | 10 | 4.08 | 0.944 | 4 |

**Note:** Rank 1 shows that high returns is the most influencing variable towards investing in stocks and rank 28 shows that religious reasons is the least influencing variable towards investing in stocks
**Source:** Data collected through questionnaire

legality, rumours, competing financial needs, terms and conditions, current economic indicators, inflation resistance, financial analyst and advisory recommendation, past performance of your portfolio, coverage in financial news, general trend of investments in public, fluctuation in stock index, and six variables as indifferent, i.e. safety of principal, future security, stability of income, low transaction cost, family member opinion, friend or peer recommendation. Only one variable, i.e. religious reason has been found as the Unimp/Limp influencing variable while making stock purchase decisions. However, ranks have been assigned according to the importance of each variable to the respondents as per the WAS of each variable.

*Identifying the most and least influencing variables while investing in fixed deposits*

This section deals with identifying the variables that most and least influence the purchase decisions of the individual investors while investing in fixed deposits. The investors were asked about one of the highly preferred investment by them except stocks, and 241 respondents out of 607 respondents preferred fixed deposits as a highly preferred investment except stocks. As done in Part –A, weights have been allocated to the responses ranging from most important to least important. The responses of the individual investors have been interpreted according to the similar criteria.

Table II shows that the respondents have been found agreeing 17 variables as MImp/Imp, i.e. stability of income, safety of principal, future security, tax benefit, convenience, flexibility, competing financial needs, low transaction cost, terms and conditions, current economic indicators, legality, family member opinion, concealability, inflation resistance, diversification needs, fluctuation in stock index and capital growth.

Eight variables are found as indifferent, i.e. friend or peer recommendation, professional management, past performance of your portfolio, risk associated, general trend of investments in public, coverage in financial news, liquidity, high returns, and three variables, i.e. financial analyst and advisory recommendation.

| Variables | MImp (Frequency) | Imp (Frequency) | ID (Frequency) | Unimp (Frequency) | Limp (Frequency) | WAS | *SD* | Rank |
|---|---|---|---|---|---|---|---|---|
| High returns | 2 | 53 | 78 | 85 | 23 | 2.69 | 0.947 | 25 |
| Liquidity | 2 | 55 | 77 | 82 | 25 | 2.70 | 0.964 | 24 |
| Convenience | 96 | 95 | 32 | 13 | 5 | 4.10 | 0.964 | 5 |
| Tax benefit | 109 | 70 | 50 | 8 | 4 | 4.13 | 0.964 | 4 |
| Safety of principal | 115 | 76 | 43 | 3 | 4 | 4.22 | 0.899 | 2 |
| Capital growth | 35 | 70 | 74 | 59 | 3 | 3.31 | 1.036 | 17 |
| Future security | 87 | 115 | 36 | 1 | 2 | 4.18 | 0.756 | 3 |
| Flexibility | 89 | 88 | 42 | 20 | 2 | 4.00 | 0.977 | 6 |
| Concealability | 51 | 97 | 60 | 27 | 6 | 3.66 | 1.012 | 13 |
| Diversification needs | 34 | 87 | 73 | 27 | 20 | 3.37 | 1.114 | 15 |
| Stability of income | 95 | 121 | 20 | 2 | 3 | 4.26 | 0.747 | *1* |
| Low transaction cost | 70 | 116 | 35 | 17 | 3 | 3.97 | 0.912 | 8 |
| Risk associated | 28 | 69 | 61 | 60 | 23 | 3.08 | 1.175 | 21 |
| Professional management | 35 | 47 | 82 | 62 | 15 | 3.10 | 1.130 | 19 |
| Legality | 57 | 96 | 55 | 29 | 4 | 3.72 | 1.010 | 11 |
| Rumours | 1 | 1 | 72 | 106 | 61 | 2.07 | 0.777 | 27 |
| Competing financial needs | 89 | 93 | 39 | 7 | 13 | 3.99 | 1.066 | 7 |
| Terms and conditions | 87 | 92 | 28 | 22 | 12 | 3.91 | 1.135 | 9 |
| Current economic indicators | 86 | 86 | 33 | 27 | 9 | 3.88 | 1.127 | 10 |
| Religious reasons | 0 | 2 | 30 | 94 | 115 | 1.66 | 0.724 | *28* |
| Inflation resistance | 69 | 77 | 47 | 23 | 25 | 3.59 | 1.279 | 14 |
| Financial analyst and advisor recommendation | 20 | 28 | 26 | 76 | 91 | 2.21 | 1.288 | 26 |
| Past performance of your portfolio | 26 | 66 | 72 | 60 | 17 | 3.10 | 1.110 | 20 |
| Coverage in financial news | 23 | 52 | 68 | 51 | 47 | 2.80 | 1.248 | 23 |
| Family member opinion | 40 | 115 | 60 | 21 | 5 | 3.68 | 0.923 | 12 |
| Friend or peer recommendation | 30 | 67 | 73 | 46 | 25 | 3.13 | 1.171 | 18 |
| General trend of investment in public | 24 | 47 | 82 | 66 | 22 | 2.94 | 1.111 | 22 |
| Fluctuations in stock index | 52 | 53 | 80 | 39 | 17 | 3.35 | 1.188 | 16 |

**Note:** Rank 1 shows that stability of income is the most influencing variable towards investing in stocks and rank 28 shows that religious reasons is the least influencing towards investing in fixed deposits
**Source:** Data collected through questionnaire

**Table II.**
Most and least influencing variables affecting decisions while investing in fixed deposits

Rumours and religious reasons have been found as the Unimp/Limp influencing variable while making decision to invest in fixed deposits. However, ranks have been assigned according to the importance of each variable to the respondents as per the WAS of each variable.



*Paired sample* t-*test: differences in perception of respondents for the variables influencing them to invest in stocks (high-risk investment)* vis-à-vis *fixed deposits (low-risk investments)*

This section explores whether there is any significant difference in the perception of respondents regarding the variables influencing their investment preferences for stocks *vis-à-vis* fixed deposits. Paired sample *t*-test has been applied to test the hypothesis.

Thus, the hypothesis to be tested here is:

*H0a*. There is no significant difference among the variables influencing the investment preferences for stocks *vis-à-vis* fixed deposits.

*t*-statistics revealed that there are significant differences in the variables influencing the investment preferences of individual stock investors in Punjab for stocks and fixed deposits. It reveals that statistically significant differences exist in perception of individual investors for 22 variables towards the preference for stocks *vis-à-vis* fixed deposits. Hence, for these 22 variables, i.e. high returns, liquidity, tax benefit, safety of principal, capital growth, future security, diversification needs, stability of income, low transaction cost, risk associated, professional management, rumours, competing financial needs, terms and conditions, financial analyst and advisory recommendation, past performance of your portfolio, terms and conditions, past performance of our portfolio, coverage in financial news, current economic indicators, family member opinion, general trend of investments in public and fluctuations in stock index, the null hypothesis, "there is no significant difference among the variables influencing the investment preferences for stocks *vis-à-vis* fixed deposits" is rejected.

- Competing financial needs and financial analyst and advisory recommendation were repeated by mistake in the sentence and are now deleted.

However, for six variables, i.e. convenience, flexibility, concealability, legality, religious reasons, inflation resistance, friend or peer recommendation, the null hypothesis is accepted, i.e. such variables have same influence while investing in both avenues.

Table III shows that in computing the difference between variables influencing preference for stocks and fixed deposits, investors were found agreeing high returns as the most important variable while investing in stocks and such has an indifferent influence while investing in fixed deposits; however, on the other hand, investors consider stability of income as most important variable while investing in fixed deposits which has an indifferent influence while investing in stocks.

Investors were found agreeing to the to the variables safety of principal, future security as most important variables while investing in fixed deposits, whereas such variables are found having an indifferent influence while investing in stocks.

Fluctuation in stock index and capital growth is a more important variable while investing in stocks than having an influence while investing in fixed deposits. However, convenience, tax benefit and flexibility are considered more important variables while investing in fixed deposits than investing in stocks.

| Variables | Stocks ($N = 241$) WAS | Fixed deposits ($N = 241$) WAS | *t*-value | Significance value | Null hypothesis |
|---|---|---|---|---|---|
| High returns | 4.59 | 2.69 | 27.83 | 0.000** | Rejected |
| Liquidity | 4.17 | 2.70 | 16.84 | 0.000** | Rejected |
| Convenience | 4.30 | 4.10 | 2.60 | 0.010** | Rejected |
| Tax benefit | 3.49 | 4.13 | −6.20 | 0.000** | Rejected |
| Safety of principal | 2.75 | 4.22 | −16.07 | 0.000** | Rejected |
| Capital growth | 4.34 | 3.31 | 12.27 | 0.000** | Rejected |
| Future security | 3.20 | 4.18 | −9.85 | 0.000** | Rejected |
| Flexibility | 4.05 | 4.00 | 0.522 | 0.602 | Accepted |
| Concealability | 3.75 | 3.66 | 0.863 | 0.389 | Accepted |
| Diversification needs | 3.95 | 3.37 | 6.086 | 0.000** | Rejected |
| Stability of income | 3.22 | 4.26 | −8.77 | 0.000** | Rejected |
| Low transaction cost | 3.01 | 3.97 | −9.54 | 0.000** | Rejected |
| Risk associated | 4.05 | 3.08 | 9.32 | 0.000** | Rejected |
| Professional management | 3.74 | 3.10 | 6.23 | 0.000** | Rejected |
| Legality | 3.77 | 3.72 | 0.534 | 0.594 | Accepted |
| Rumours | 3.87 | 2.07 | 19.03 | 0.000** | Rejected |
| Competing financial needs | 3.38 | 3.99 | −5.65 | 0.000** | Rejected |
| Terms and conditions | 3.59 | 3.91 | −3.07 | 0.002** | Rejected |
| Current economic indicators | 4.14 | 3.88 | 2.68 | 0.008** | Rejected |
| Religious reasons | 1.65 | 1.66 | −0.249 | 0.804 | Accepted |
| Inflation resistance | 3.56 | 3.59 | −0.220 | 0.826 | Accepted |
| Financial analyst and advisor recommendation | 3.38 | 2.21 | 9.58 | 0.000** | Rejected |
| Past performance of your portfolio | 3.99 | 3.10 | 8.34 | 0.000** | Rejected |
| Coverage in financial news | 3.61 | 2.80 | 7.54 | 0.000** | Rejected |
| Family member opinion | 2.96 | 3.68 | −7.29 | 0.000** | Rejected |
| Friend or peer recommendation | 2.98 | 3.13 | −1.38 | 0.169 | Accepted |
| General trend of investment in public | 3.37 | 2.94 | 3.83 | 0.000** | Rejected |
| Fluctuations in stock index | 4.05 | 2.94 | 7.23 | 0.000** | Rejected |

**Note:** **Significant $p < 0.01$

**Table III.** Paired sample *t*-test: differences in perception of respondents for variables influencing their investment preference for stock *vis-a-vis* fixed deposits

Investors have agreed that competing financial needs, terms and conditions, current economic indicators, legality, concealability, inflation resistance, diversification needs are among important variables influencing investors to invest in both stocks and fixed deposits. However, professional management, past performance of your portfolio, risk associated, general trend of investments in public, coverage in financial news and liquidity have been found as important variables influencing purchase decisions of stocks, whereas such variables have been found having indifferent influence for individual stock investors when investing in fixed deposits.

Rumours and financial analyst recommendations are important for investors while investing in stocks but unimportant/least important variables while investing in fixed deposits.

Family member opinion has an indifferent influence for investors while investing in stocks but an important variable while investing in fixed deposits. However, friend or peer recommendation has an indifferent influence while investing in both avenues.

Religious reason is the only variable found as the least influencing variable for individual investors in Punjab while investing in both avenues, i.e. stocks and fixed deposits.

## Discussion, implications and conclusion

A successful investor is not the one who makes short-term huge profits but the one who sets the clear-cut investment objectives, decides the time and period of investment, studies the market, understands his risk taking ability along with the expected rate of return and also determines the major assets traded on the financial system. Investments can range from simple bank savings accounts to complex stock and bond portfolios. An investor should know each of the investment avenues and its characteristics to make a trade-off between risk and return. Several investment avenues available in the market differ in various attributes such as liquidity, marketability, maturity, risk, return and tax concessions. Moreover, investors also differ in their attitudes towards such attributes, and each investor chooses an investment as per his requirements, demographics and psychographics as well. So, investors should have a more diversified portfolio as per saying "do not put all your eggs into the same basket".

Information about the major variables that influence an individual investor is sought out by various financial companies so as to adjust their marketing activities to achieve successful performance. The present study made an exploratory attempt to identify the variables that influence the preferences of investors for stocks (high-risk investment) *vis-á-vis* fixed deposits (low risk investment) and make a comparison of preferences on the basis of variables for these two set of investments.

The financial advisors providing advice to the individual investors need to understand their attitude towards investment. Failure to understand such differences may make it awfully difficult to provide appropriate advice and to satisfy clients over the long term. It was found that individual stock investors in Punjab were found agreeing to high returns as the most important variable while investing in stocks, whereas it has an indifferent influence while investing in fixed deposits; on the other hand, investors consider stability of income as a most important variable while investing in fixed deposits which has an indifferent influence while investing in stocks. Further, investors were found agreeing to the variables safety of principal, future security as most important variables while investing in fixed deposits, whereas such variables are found having an indifferent influence while investing in stocks. Variables like risk associated, general trend of investments in public and coverage in financial news have been found as important variables influencing purchase decisions of stocks, whereas such variables have been found as having an indifferent influence for individual stock investors when investing in fixed deposits, revealing that investors are conscious towards risk taking and follow trends when investing in stocks. So, the present study is helpful in understanding the behaviour of individual investors towards their investment pattern towards two sets of investments which will provide implications to financial service providers to help individual investors choose investments as per their current stated attitude.

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