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Investment Behaviour of Salaried Class People in Udumalpet Town, Tirupur District

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Abstract

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. Savings shapes the important part of the economy of any nation. With the savings, in various options available to the people, the money acts as the driver for growth of the country. Indian financial prospect too presents a plethora of avenues to the investors. Though certainly not the best or deepest of markets in the world, it has reasonable options for an average individual to invest his savings. Savings and investments play a major role in economic development of any country and the primary objective of all government's policy has been to promote savings and capital formation in the economy which is a primary instrument of economic growth. Personal Savings in India is attributed to growth in income of individuals and the rising rate of inflation.

In this study researcher mainly focus on investment preference, investment behaviour of salaried investors, their investment pattern, and mode of investment. Data were collected from 50 respondents, Chi Square Test and Garrett Ranking were used for testing the hypothesis.

Keywords: 1. Investment Preference 2. Investment Behaviour 3. Investment Pattern and Mode

Introduction

India needs very high rates of investments to make leap forward in the efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth and increase in national

income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving. The understanding of the relationship between the savings and investment pattern is essential as savings forms the basis for the development of the economy. If the savings and investment pattern among the households is good, then it results in the development of both money and capital market and in turn the economy. The present study is an empirical study to identify the nature and preferences of the investors in and to ascertain their investment habits. The study area is featured by a good number of salaried employees belonging to the Private and Government employees who have the ability to save and invest. It will help the salaried class employees to plan savings and investment towards maximizing the returns. The in depth analysis of the preference and risk perception will help the Government to work out the various feasible schemes to mobilize finance from salaried class investors.

Review of Literature

D. Purnima and Dr. N. Lalitha (2021) in their study on "An analysis of Investment Pattern of Salaried Employees - A Case Study of Visakhapatnam" concluded that Investors are very well aware about investment avenues that are available in Visakhapatnam, India but still investors are preferring to invest in their money in bank deposit, real estate. The data analysis of research reveals that the safety is concerned as important factor while doing investment, so remaining avenues are less found less considerable while doing investment by investors. Especially in emerging cities like Viakahapatnam where Real estate is always on the high or up, this is not at all bad investment option. But there is no fixed return and the risk and amount of investment is high.

Nidhi Bansal and Nazia Hassan (2019) in their study entitled "An Insight into Factors Influencing Investment Behaviour of Individuals: With Reference to Delhi/NCR, India" have analysed the reasons of savings, and behavior of investors in Delhi/NCR. It also explains different reasons of savings, awareness level and Investment pattern of people in Delhi/NCR with a sample of 126 people which was randomly selected. The study is based on primary sources of data and has been analyzed using correlation and regression, with the help of statistical software SPSS. The researchers have analyzed that people consider the security, benefit, duration and opinion. The study found that there is significant inter correlation between perception of security, perception of benefits, duration of investment, awareness level on investors, sources of opinion and investment behaviour of investors. It was also found that perception of security, duration, awareness level of investors and source of opinion of investors are the significant predictors of investment behaviour of investors.

Sanket L. Charkha & Dr. Jagdeesh R. Lanjekar (2018) have studied the different types and avenues of investments as well as the factors that are required while selecting the investment with the sample size of 60 salaried employees by conducting the survey through questionnaire in Pune city of, India. In this study researcher identified preferred investment avenues among individual investors by using self-assessment test.

It is revealed by the study that salaried employees consider the safety as well as good return on investment that is invested on regular basis. Male investors are more aware about the various investment avenues than female investors. Further it is also observed that there is direct relationship between the income level and awareness of the different avenues of the investment. A person having a high level of income tends to have more knowledge about the different sources and avenues of investment that are available in the market. A person having more income will naturally look for investing more amounts and hence natural will have awareness regarding it.

K. Saravanan and Dr. K. MuthuLakshmi (2017) has conducted the study on "Tax Saving Instruments of Income Tax in India: A Study on Tax Assessee in Trichy City" to find out the most suitable tax saving instruments used for tax saving and examined tax saved by using that instruments by the assesses in the Trichy City, the study is based on sample survey consisting 100 assesseees selected by the stratified random sampling method. The study is descriptive in nature has been focused on the relationship between assesseees income level and tax saving amount. the most adopted tax saving instruments by the assesseees are provident fund, Life Insurance policies, interest on housing loan, repayment of housing loan, children tuition fees, while least adopted tax saving instruments by the assesseees are Fixed Deposit, National Pension Scheme, National Saving certificates, Health Insurance Plans, Donation and Equity Linked Saving Schemes. The study concluded that the assesseees saving tax as per their level of income but they are not preferred modern tax saving instruments and risky investments.

Saranya, B. &Karthikeyan, G.B. (2015) studied the preferences and level of satisfaction towards post office savings schemes with sample of 1068 investors in the city of Coimbatore city with an objective to ascertain the reasons that forces the investors to invest in post office schemes and to ascertain the level of satisfaction of the investors and to identify the SWOT analysis of post offices. The study was carried out with a structured interview schedule and concluded that there is significant association between age group, gender, family income, savings and annual income and post office savings by the investors. It was also concluded that there is no significant association between education qualification and personal savings made by the investors. The researcher has also carried out Mahalanobis Multi discriminate analysis and divided into two groups one is with low level of satisfaction and the other is with high level of satisfaction on the post office savings scheme selecting 7 demographic variables. It was concluded that the overall analysis revealed that the main reason for investing in the post office were influenced by 3 factors namely, meet the emergency needs, to meet the family needs in the near futures and to take care the well-being of the children.

Statement of the Problem

Investment has been an activity confined to the rich and salaried class in the past. This can be attributed to the fact that availability of investible funds is a pre-requisite to development of funds. But, today we find that investment has become a household world and is very popular with people from all walks of life. Generation of savings and

its conversion into capital is fundamental to the theory of economic growth. The volume and composition of savings are important in the process of economic development of any nation. Savings in the form of financial assets derives its importance in a developing country like India on the ground that these savings can be channelized for capital formation. In India, households are the largest contributors to the national pool of savings. Their share in net domestic savings in India remains around 75 percent on an average. Liquidity and safety play a major role in the investment decision; tax exemption and other factors are also taken into consideration. Apart from the above factors, there are demographic factors which influence the decision on investment. The various investment avenues for people to invest their money are post office schemes, mutual funds, bank deposits, RBI bonds, share market, life insurance and so on. An investor can choose from a variety of funds to suit his risk tolerance, various investment avenues and objectives. Against this background, the researcher has taken up this topic. The investors are finding various problems in selecting their various investment avenues. It is identified that there is a need for research work in the field of investment pattern and awareness of salaried class investors, factors which affect the investment behaviour of individuals in Udumalpet Town, Tirupur District of Tamil Nadu.

Objectives of the Study

- To study the investment preference among salaried people.
- To understand the investment pattern of salaried investors.
- To know the factors that influencing the investment behaviour of people.
- To identify the mode of investments of the salaried respondents in various investment avenues.

Hypothesis of the Study

- There is no close relationship between age, gender, educational qualification, marital status and income with investment pattern.
- There is no relationship between investment preference of salaried people and the risk attached with the investment avenues.

Methodology

The validity of any research depends upon the accuracy and adequacy of data. Hence due care was given to collect the required data.

Research Design

Descriptive as well as exploratory research designs are made use to carry out this study. While most of the issues related to the investment behaviour of salaried class people of government and private sector have been discussed in explanatory form, the analysis of data is mostly logical and systematic in nature. Udumalpet Town in Tirupur district is selected as the universe for the study. The study is aimed to analyse the socio economic status, awareness regarding investment, investment pattern, investment preference, mode of investment of salaried people. A sample of 50 respondents was selected randomly. Among them 27 are Government employees 23 are private

employees. Convenient sampling method was used. The study adopted survey method for the collected primary data. Interview schedule was addressed.

Framework of the Analysis

The data collected is statistically analysed through tabulation, classification and analysis. Simple percentage, Chi Square Test and Garrett Ranking were used for the interpretation of the data.

Reason for Investment in the Particular Investment Avenues

Investors are investing their money with the different objectives such as profit, security, appreciation, liquidity, income stability.

Investment Avenues	Appreciation	Risk Protection	Liquidity	Safety	Regular Income	Total
Saving Account	-	-	3	-	-	3
Fixed Deposits	-	-	-	4	-	4
Public Provident Fund	-	-	-	5	-	5
National Saving Certificate	-	-	1	-	-	1
Post Office Saving	-	-	-	3	-	3
Life Insurance	-	7	-	-	-	7
Real Estate (Property)	8	-	-	-	-	8
Gold/Silver	-	-	-	16	-	16
Chit Funds	-	-	-	-	3	3
Total	8	7	4	28	3	50

It is understood from the table that out of 50 respondents, 16 people invested in gold and silver, 5 respondents in public provident fund, 4 in fixed deposits, 3 in post office saving as they felt that making investment in those assets were safe, 8 respondents invested in real estate property with the expectation of appreciation of its value, 7 people invested in life insurance for risk protection, 4 respondents invested in saving account and national saving certificate for liquidity, and the remaining 3 people invested in chit funds for regular income.

Hypothesis - I

There is no close relationship between age, gender, educational qualification, marital status and income with investment pattern.

To test the association between these variables Chi Square test was used.

Level of Preference of the Respondents According to Age

The age group of the salaried people plays an important role in the selection of investments. The investment objectives may tend to vary according to the variations in the age.

Age	Level of Preference			Total
	Low	Moderate	High	
Below 25 years	2 (15%)	7 (54%)	4 (31%)	13 (100%)
25 - 35 years	3 (18%)	5 (29%)	9 (53%)	17 (100%)
35 - 45 years	2 (18%)	6 (55%)	3 (27%)	11 (100%)
Above 45 years	4 (45%)	3 (33%)	2 (22%)	9 (100%)
Total	11	21	18	50
Df: 6		Table Value: .000		
Calculated χ^2 Value: 85.44				

The percentage of respondents with high level of preference was found high (53 per cent) among the respondents who are within the age group of 25 - 35 years, low level of preference is found high (45 per cent) among respondents, who are above the age of 45 years. As the calculated Chi-square value is greater than the table value, there exists significant association between age and level of preference. Thus, age is an important factor, which affects the investment preferences and choice of the salaried people.

Level of Preference of the Respondents According to Gender

The gender of the respondents plays an important role in the selection of investments.

Gender	Level of Preference			Total
	Low	Moderate	High	
Male	16 (47%)	10 (29%)	8 (24%)	34 (100%)
Female	2 (12.5%)	4 (25%)	10 (62.5%)	16 (100%)
Total	18	14	18	50
Df: 2		Table Value: .952		
Calculated χ^2 Value: .098				

The percentage of respondents with high level of preference (62.5 per cent) is found high among female. The percentage of respondents with low level of preference is found high (47 per cent) among male employees. As the calculated Chi-square value is

lesser than the table value, there is no significant association between gender and level of preference. Thus female employees prefer to have safe investment.

Level of Preference of the Respondents According to Marital Status

The marital status of the respondents plays the key role in the selection of investments.

Marital Status	Level of Preference			Total
	Low	Moderate	High	
Married	8 (22%)	8 (22%)	20 (56%)	36 (100%)
Unmarried	6 (50%)	4 (33%)	2 (17%)	12 (100%)
Widow	-	2 (100%)	-	2 (100%)
Total	14	14	22	50
Df: 4		Table Value: .001		
Calculated χ^2Value: 19.006				

The percentage of respondents with high level of preference (56 per cent) is found high among the respondents who are married. The percentage of respondents with low level of preference (50 per cent) is found high among unmarried. As the calculated Chi-square value is greater than the table value, there is significant association between marital Status and level of preference. The impact of marriage on investment is notable as evidenced from the χ^2 value.

Level of Preference of the Respondents According to Educational Qualification

Educational qualification of the respondents influences the level of preference of respondents towards investment.

Educational Qualification	Level of Preference			Total
	Low	Moderate	High	
Diploma	1 (25%)	2 (50%)	1 (25%)	4 (100%)
Under Graduate	5 (25%)	9 (45%)	6 (30%)	20 (100%)
Post Graduate	2 (12.5)	3 (18.75)	11 (68.75)	16 (100%)
Professional	1 (10%)	2 (20%)	7 (70%)	10 (100%)
Total	9	16	25	50
Df: 4		Table Value: .000		
Calculated χ^2Value: 36.148				

There is significant relationship between education and the investment made as depicted by the value of $\chi^2 = 36.148$, $df = 4$, significance = 0.000

Level of Preference of the Respondents According to Income

Income is the main determinant of individual’s investment. Respondents with high level of income show high level of preference.

Income (In Rs.)	Level of Preference			Total
	Low	Moderate	High	
1,00,000 – 2,00,000	10 (55%)	5 (28%)	3 (17%)	18 (100%)
2,00,000 – 5,00,000	4 (19%)	10 (48%)	7 (33%)	21 (100%)
5,00,000 – 10,00,000	1 (17%)	1 (17%)	4 (66%)	6 (100%)
Above 10,00,000	-	1 (20%)	4 (80%)	5 (100%)
Total	15	17	18	50
Df: 4		Table Value: .000		
Calculated χ^2 Value: 36.148				

$\chi^2 = 36.148$, $df = 4$, $P < 0.000$ shows that income has significant influence on investment decisions.

- ❖ It is proved by the analysis that there is association between age, marital status, educational qualification, income and investment preference and pattern. So the null hypothesis stating there is no close relationship between age, educational qualification, marital status and income with investment pattern is rejected.
- ❖ It is proved that there is no association between gender and investment pattern of the respondents and the hypothesis is accepted.

Hypothesis – II

There is no relationship between investment preference of salaried people and the risk attached with the investment avenues.

To test the relationship between investment preference and the risk attached with the investment avenues, Garret Ranking method was used.

Ranking of Investment Preference and the Risk Attached with Investment Avenues

Investment Avenues	Garret Score	Garret Average	Rank
Saving Account	2792	55.84	6
Fixed Deposits	2897	57.94	4
Public Provident Fund	2765	55.3	7
National Saving Certificate	2760	55.2	8
Post Office Saving	2798	55.96	5
Government Securities	2741	54.82	9

Mutual funds	2705	54.10	12
Life insurance	2911	58.22	3
Debentures	2703	54.06	13
Bonds	2728	54.56	11
Equity share Market	2678	53.56	16
Commodity Share market	2702	54.04	14
FOREX market	2560	51.20	20
Real estate (Property)	2984	59.62	2
Gold/ Silver	2994	59.88	1
Chit funds	2735	54.35	10
Virtual real state	2696	53.92	15
Hedge funds	2576	51.52	19
Private equity investments	2609	52.18	17
Art and passion	2084	51.68	18

The table reveals that out of 20 investment avenues, the majority of the respondents preferred to invest on gold and silver (average score is 59.88), real estate (average score is 59.62), life insurance (average score is 58.22) and the least preferred investment avenue was foreign exchange market (51.20). It is clear from the above analysis that most of the respondents preferred traditional and safe, low risk investment avenues and they were reluctant to choose high risk investment avenues.

- It is proved that there is association between investment preference of salaried people and the risk attached with the investment avenues. So the null hypothesis is rejected.

Conclusion

Today, with the living standard of the people increasing day by day, the investors have started realizing the importance of savings and the proper investment of their savings. It is evident from the study undertaken that the investors are saving their money for the goals of life. The various factors identified in the study provide some valuable input regarding the investor's pattern, their preferences and priorities. This will guide the organization in designing financial products for the various segments of investors. The buying intent of investment product by a small investor can be due to multiple reasons depending upon the risk return trade off. Due to the reduction in the bank interest rates and high degree of volatility in Indian Stock market, investors are looking at an alternative for their investments, which will provide them higher returns and also safety to their investments.

The present analysis has important implication for investment managers as it has come out with certain interesting facets of the salaried individual. The individual investor still prefers to invest in financial products which give risk free returns. This confirms that employees even if they are earning high income, well educated, middle and lower age group, having minimum number of family members are conservative and prefer to invest safe. The investment product designers of financial companies should

cater to individuals, who are low risk tolerant, tax savings and with high satisfaction with normal returns.

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