

A STUDY OF INVESTMENT BEHAVIOUR OF SALARIED PEOPLE – AN EMPIRICAL STUDY

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ABSTRACT

This article aimed to analyze investors' behavior towards investment objectives with regard to different investment avenues. The study is based on primary data. The study is carried out by taking 500 investors in Coimbatore District. Convenient Sampling is used for data collection. To analyze the data, statistical techniques, viz., standard deviation and Chi-square have been used. The study results show at 5% significance level, there is a significant difference among different investment objectives. The study reveals that the demographic and socio-economic factors have a significant influence over some of the investment decision elements and insignificant in others elements too. The study also discloses a general view of investors' behavior over various investment avenues.

KEYWORDS: Investors' behavior, Investment objectives, Chi-square.

INTRODUCTION

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. With high capital output ratio, India needs very high rates of investments to make a leap forward in her 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.

Investment has different meaning in the context of finance and economics. Finance investment is putting money into something with the expectation of gain that upon thorough analysis has a high degree of security for the principle amount, as well as security of return, within an expected period of time. In contrast, putting money into something with an expectation of gain without making thorough analysis is speculation or gambling. Thus, Finance Investment involves decision making process in order to ensure security of both the principle amount and the return on investment (ROI) within an expected period of time. In economics, investment means creation of capital or goods capable of producing other goods or services.

The two main classes of investments are i) Fixed Income Investment such as bonds, fixed deposits, preference shares and ii) Variable Income Investment such as business ownership (equities) or property ownership. On the basis of tenure, the investments are classified as i) Short-term Investment and ii) Long-Term Investment. Investments made for a period of one to three years are termed as short term investments and that are invested for more than three years are termed as long-term investments. Almost everyone holding some portfolio of investment in the form of financial assets like bank deposits, bonds, stocks and so on; and real assets like motorcycle, house, gold etc.

SALARIED INVESTORS:

The respondents of this study consist only the people those who are earning their money as salary, popularly referred as salaried groups. It is observed that the salaried group will always differ in their investment pattern due to safety, security, regular income, retirement benefit and other unique features than the other occupation people like business man and professionals.

INVESTMENT OPTIONS AVAILABLE

There are a large number of investment instruments available today. To make our lives easier we would classify or group them. In India, numbers of investment avenues are available for the investors. Some of them are marketable and liquid while others are non marketable and some of them also highly risky while others are almost risk less. The people has to choose Proper Avenue among them, depending upon his specific need, risk preference, and return expected. Investment avenues can broadly categories under the following heads.

1. Equity
2. FI Bonds
3. Corporate Debenture
4. Company Fixed
5. Bank Fixed
6. PPF
7. Life Insurance
8. Post Office-NSC
9. Gold/Sliver
10. Real Estate
11. Mutual Fund
12. Others

OBJECTIVES:

- To analyse the behavioral pattern of investment among salaried investors working in private sector.
- To study the investment preference among salaried investors working in private sector in Coimbatore District, Tamil Nadu, India.
- To identify the mode of investments and the investment pattern of the salaried respondents in various investment avenues.

SCOPE OF THE STUDY:

This study is focusing on the preference of Investments by salaried class people and it will be helpful to identify the better investment options in the market.

REVIEW OF LITERATURE

Assessing the impact of investment in different investment avenues, this chapter provides a sketch of literature relevant to scope, preference and satisfaction of investor.

John K. C., Sasi Kumar and Vikkraman P (2011) discussed the characteristics of the Indian individual investors along makes an attempt to discover the relationship between a dependent variable like Risk Tolerance level and independent variables such as Age, Gender of an individual investor on the basis of the survey. Indian investors are high income, well educated, salaried, and independent in making investment decisions and conservative investors. The research design constitutes the blue print for the data collection, measurement and analysis of data. The descriptive research design has been employed for the present study. It is the overall operational pattern or framework of the research that stipulates what information is to be

collected from which sources by what procedures. The results indicate that majority of the investors are regular traders.

Kabra Gaurav, Mishra Prashant Kumar and Dash Manoj Kumar (2010), studied the factors which affects individual investment decision and Differences in the perception of Investors in the

decision of investing on basis of Age and on the basis of Gender and found that investors' age and gender predominantly decides the risk taking capacity of investors.

According to Mathivannan S. and Selvakumar M (2011) money is an inextricable part of our life. People toil to earn money to purchase a house, to marry off their children, to live and to eat. So, saving is necessary to survive. To Save means to put aside a portion of income, deferring its consumption until a future date. Saving means the total accumulated amount of income that is not spent on consumption. In economics, personal saving has been defined as personal disposable income minus personal consumption expenditure. Saving may take the form of increase in bank deposits, purchase of securities, or increased cash holdings. The extent to which individuals save is affected by their preference for future over present consumption, their expectations of future income and to some extent, by the rate of interest. Saving plays a vital role in building up the household economy as well as the national economy. Savings provide the financial security to savers. Hence, attractive saving devices are very much necessary to increase and channel the savings in developing countries. India is taking much effort in inculcating the saving habit among the people. In order to mobilize savings, the Government of India is issuing saving certificates, government bonds and securities carrying high rates of interest.

Singh Balwinder, Ms. Sharma Ruchika (2011) studied the investment pattern of working women and the factors responsible for investment behavior of married and unmarried working women and found that working women rank basic savings purpose to be the foremost consideration while investing. The facility to encase the investments whenever required is also an important objective while deciding to invest.

According to Syed Tabassum Sultana (2010) Indian investor today have to endure a sluggish economy, the steep market declines prompted by deteriorating revenues, alarming reports of scandals ranging from illegal corporate accounting practices like that of Satyam to insider trading to make investment decisions. Stock market's performance is not simply the result of intelligible characteristics but also due to the emotions that are still baffling to the analysts. Despite loads of information bombarding from all directions, it is not the cold calculations of financial wizards, or company's performance or widely accepted criterion of stock performance but the investor's irrational emotions like overconfidence, fear, risk aversion, etc., seem to decisively drive and dictate the fortunes of the market. This paper while discussing the characteristics of the Indian individual investors along makes an attempt to discover the relationship between a dependent variable i.e., Risk Tolerance level and independent variables such as Age, Gender of an individual investor on the basis of the survey. Indian investors are high income, well educated, salaried, and independent in making investment decisions and conservative investors. From the empirical study it was found that irrespective of gender, most of the investors (41%) are found have low risk tolerance level and many others (34%) have high risk tolerance level rather than moderate risk tolerance level. It is also found that there is a strong negative correlation between Age and Risk tolerance level of the investor. Television is the media that is largely influencing the investor's decisions. Hence, this study can facilitate the investment product designers to design products which can cater to the investors who are low risk tolerant.

RESEARCH METHODOLOGY

This research project is a fact finding investigation as it focuses on particular aspects of the investment pattern. Thus, this research project uses a descriptive research design which intends to describe the correlation between income and investment. The data was collected by survey

method using a questionnaire which involved direct interaction between the researchers and the respondents.

Sample Design:

A sample size of 500 was taken from four departments using "Convenient sampling".

Data collection:

In the present uses the primary data, collected from the Private Sector employees by survey method using a questionnaire. The researchers directly collected the requisite data from the employees i.e. respondents. Initially to test the viability of the questionnaire prepared, a pilot study of 50 respondents was conducted, and suitable changes were incorporated there upon in the questionnaire.

Techniques used for Analysis

Tools like Mean and Standard Deviation, Chi- Square Analysis, ANOVA Test, t-test, Freidman's Ranking Analysis were used.

LEVEL OF INVESTMENT – PRIVATE SECTOR EMPLOYEE

The analysis was carried using Chi-square test has been applied to find out significance, if any, between the preferences of salaried investors towards financial products based on various demographic factors. Calculated value of chi-square is compared with the table value for given degree of freedom at 5 % and 1% level of significance. If calculated value is more than the table value, the difference is considered as significant, i.e. it could not have arisen due to fluctuations of sampling. On the other hand, if the calculated value is less than the tabular value, the difference is considered as insignificant i.e. it is regarded as due to fluctuations of simple sampling and hence ignored.

AGE

Age and Level of Investment

Age	Private			Total
	Level of Investment			
	Low	Moderate	High	
Up to 30	57	177	61	295
31 to 50	45 (24.90%)	113 (62.40%)	23 (12.70%)	181 (100.00%)
Above 50	0 (0.00%)	12 (50.00%)	12 (50.00%)	24 (100.00%)
Total	102	302	96	500
	d.f: 4 Calculated χ^2 Value:23.559			
	Table Value:			5% level: 9.488
				1% level: 13.277

The Table depicts that, in the Private sector employees, the high level of Investment (50.00%) is above 50 years of age and with low level of Investment depicts high (24.90%) between 31 to 50 years of age. The Chi-square test infers that age is significantly associated with the level of Investment among Private sector employees.

EDUCATIONAL QUALIFICATION**Educational Qualification and Level of Investment**

Educational Qualification	Private			Total
	Level of Investment			
	Low	Moderate	High	
SSLC	4 (44.40%)	3 (33.30%)	2 (22.20%)	9 (100.00%)
Diploma	18 (31.00%)	33 (56.90%)	7 (12.10%)	58 (100.00%)
H.Sc.,	4 (33.30%)	5 (41.70%)	3 (25.00%)	12 (100.00%)
Under Graduate	38 (27.30%)	75 (54.00%)	26 (18.70%)	139 (100.00%)
Post Graduate	21 (16.70%)	84 (66.70%)	21 (16.70%)	126 (100.00%)
Professional	17 (10.90%)	102 (65.40%)	37 (23.70%)	156 (100.00%)
Total	102	302	96	500
	d.f: 10 Table Value:			Calculated χ^2 Value:26.006 5% level: 18.307 1% level: 23.209

From the above Table, in the Private sector employees, the level of investment reveals high (25.00%) at higher secondary educated level and the low level of Investment is high (44.40%) among employees qualified at school level. From the Chi-square test, it is inferred that Educational Qualification is significantly associated with the level of investment.

MONTHLY INCOME**Monthly Income and Level of Investment**

Monthly Income	Private			Total
	Level of Investment			
	Low	Moderate	High	
Up to Rs.25000	74 (26.20%)	168 (59.60%)	40 (14.20%)	282 (100.00%)
Rs.25000 to Rs.50000	25 (16.10%)	103 (66.50%)	27 (17.40%)	155 (100.00%)
Above Rs.50000	3 (4.80%)	31 (49.20%)	29 (46.00%)	63 (100.00%)
Total	102	302	96	500
	d.f: 4 Table Value: 5% level: 9.488 1% level: 13.277			Calculated χ^2 Value:43.507

The Table shows that, the Private sector employees level of investment is high (46.00%) for above Rs.50000 of monthly income and with low level of investment is high (26.20%) at above Rs.25000 of monthly income. From the Chi-square test, it is inferred that Monthly Income is highly significant associated with the level of investment.

d.f: 4	Calculated χ^2 Value:4.129
Table Value:	5% level: 9.488
	1% level: 13.277

From the Table, among Private sector employees are concerned, the high and low level of investment depicts high (22.70%) for up as 5 Years of period of investment. The Chi-square test infers that Period of Investment is not associated with the level of investment.

NATURE OF INVESTMENT

Nature of Investment and Level of Investment

Nature of Investment	Private			Total
	Level of Investment			
	Low	Moderate	High	
Liquid	37 (19.70%)	112 (59.60%)	39 (20.70%)	188 (100.00%)
Non-Liquid	30 (34.90%)	43 (50.00%)	13 (15.10%)	86 (100.00%)
Both	35 (15.50%)	147 (65.00%)	44 (19.50%)	226 (100.00%)
Total	102	302	96	500
	Df: 4	Calculated χ^2 Value:14.923		
	Table Value:	5% level: 9.488		
		1% level: 13.277		

The Table shows that, in Private sector employees, the level of investment reveals high (20.70%) for liquid nature of investment and with low level is high (34.90%) for non-liquid nature of investment. From the Chi-square test, it is inferred that nature of investment is associated with the level of investment.

PERCEPTION ON RETURN ON INVESTMENT

Perception on Return on Investment and Level of Investment

Perception on ROI	Private			Total
	Level of Investment			
	Low	Moderate	High	
Low	25 (22.90%)	60 (55.00%)	24 (22.00%)	109 (100.00%)
Moderate	56 (19.40%)	165 (57.30%)	67 (23.30%)	288 (100.00%)
High	21 (20.40%)	77 (74.80%)	5 (4.90%)	103 (100.00%)
Total	102	302	96	500
	d.f: 4	Calculated χ^2 Value:14.923		
	Table Value:	5% level: 9.488		
		1% level: 13.277		

From the Table, among Private sector employees the level of investment reveals high (23.30%) with moderate perception on return on investment and with low level is analysed as

Table showing the Level of Investment of Private Sector Employees

	Bank Deposit	Private Chit	Provident Fund	Private Deposit	Post savings	Market Instrum	ULIP	Forex Trading	Equity Shares	Mutual Funds	Government Bond	Debtenture	Gold	Silver	Diamond	Land	Building	LIC
Age	3.1	4.83	2.8	8.44	4.1	5.65	2.06	4.9	1.9	4.3	4.0	3.3	16.	6.4	6.10	6.2	5.08	3.2
Gender	1.58	5.32	4.28	1.97	0.14	5.9	2.55	2.51	9.97	3.08	0.45	3.53	1.83	0.04	1.64	1.22	3.75	0.69
Marital Status	3.26	5.43	1.24	6.05*	4.56	1.99	1.54	0.12	0.36	0.18	0.36	1.69	1.23	0.19	3.45	4.75	0.38	3.01
Nature of family	0.01	0.22	2.83	1.98	0.82	0.16	0.89	1.48	0.93	0.44	0.33	0.33	2.73	0.49	3.68	2.11	0.61	0.44
Type of Residence	2.08	4.09	3.10	2.99	7.10	2.97	0.91	4.82	1.25	0.82	1.45	2.56	4.64	3.73	3.24	3.79	4.38	4.79
Edu. Qualification	12.88	13.87	5.28	7.35	5.54	18.22	8.96	0.10	11.53	9.39	8.73	8.44	11.27	8.48	10.58	13.37	13.19	7.72
Monthly Income	3.78	2.81	4.04	3.29	3.35	5.49	4.71	4.27	7.95	10.37*	4.35	3.57	10.36*	6.01	0.86	3.81	5.82	4.67
Monthly Expenditure	5.16	4.02	7.21	7.08	7.61	7.04	3.40	4.83	9.43	6.06	4.13	8.74	8.64	5.08	2.15	11.34*	2.07	6.10
Monthly Savings	3.46	1.01	4.74	0.65	3.01	2.43	3.28	3.77	8.81	9.10	3.75	3.04	10.13*	7.91	2.17	9.29	10.60*	0.93
Employment Sector	16.95	17.98	19.11	15.40	26.88*	25.73	27.99*	33.96**	18.56	23.52	17.20	20.60	14.95	15.14	9.39	14.40	10.92	23.92
Nature of Investment	18.94**	11.170*	5.00	5.12	7.32	7.54	5.02	6.67	4.85	1.99	3.69	2.38	5.94	4.84	4.83	7.40	3.50	3.17
Perception on ROI	11.15*	4.28	12.31*	10.24*	11.05*	14.23**	24.48**	3.66	19.89**	17.65**	25.14**	18.51**	12.64*	14.29**	3.98	19.06**	2.86	5.58
Level of Satisfaction	5.23	7.87	6.73	4.83	1.41	7.24	8.19	8.40	5.40	20.68**	18.20**	12.43*	9.93*	12.89*	3.97	17.16	9.79*	5.56

*Significant at 5% level; **Significant at 1% level

From the Table, among Private sector employees, the level of investment reveals high (23.60%) with moderate level of satisfaction and the low level of investment is high (24.80%) at low level of satisfaction. From the Chi-square test, it is inferred that level of satisfaction is associated with the level of investment among Private sector employees.

LEVEL OF INVESTMENT OF PRIVATE SECTOR EMPLOYEES

To ascertain Private sector employees preference towards various investment schemes, they are namely,

- | | |
|-----------------------------|-------------------|
| ➤ Bank Deposit | ➤ Mutual Funds |
| ➤ Private Chit | ➤ Government Bond |
| ➤ Provident Fund | ➤ Debenture |
| ➤ Private Financial Deposit | ➤ Gold |
| ➤ Post Office Savings | ➤ Silver |
| ➤ Money Market Instruments | ➤ Diamond |
| ➤ ULIP | ➤ Land |
| ➤ Forex Trading | ➤ Building |
| ➤ Equity Shares | ➤ Scheme of LIC |

From the listed Investment Avenues, the significance of association of socio-economic factor factors of Private sector employees is analysed at 5% level using chi-square test.

FINDINGS:

To analyze the significant relationship between level of investment and demographic and socioeconomic factors using chi-square the following factors are significantly related with the Level of investment. They are

- The level of investment in private sector employees, large number of the employees above 50 years of age (50.00%) reveal high level of investment.
- The nature of family is nuclear nature of family reveals high level of investment in private sector employees.
- The high level of investment in private sector employees is high among employees with diploma and higher secondary level of education.
- The high level of investment in private sector employees depicts high with monthly income of above Rs.50, 000.
- Private sector employees' level of investment is not significantly associated with monthly expenditure.
- Most of the private sector employees having monthly savings at above Rs.15, 001/- shows high level of investment.
- The private sector employees, high level of investment reveals high in employees working in communication department.
- The high level of investment is revealed high in private sector employees with moderate perception on return on investment.
- The private sector employees comprising low level of satisfaction depict high level of investment.
- The level of investment in case of provident fund depicts that the employees' high perception on return on investment is significantly associated at 5% level.
- As far as Private Financial Deposit is concerned with the level of investment, the single or unmarried employees, having high perception on return on investment.
- As far as ULIP is concerned, the employees employed in Textile industry are significantly associated at 5% level with level of investment.
- The level of investment with reference to mutual funds reveals that the employees having above Rs.50, 000 monthly incomes are significantly associated at 5% level.

- It is observed that in case of gold above Rs.50, 000 of monthly income, monthly savings amounting to above Rs.15, 001, more than one additional earnings, having high Perception on Return on Investment and high level of satisfaction are found to be significantly associated at 5% level.
- In case of silver, 3 to 4 number of family members and high level of satisfaction are found to be significantly associated at 5% level with employee's preference towards investment.
- In case of land the level of investment reveals that the employees with Rs.15001 to Rs.30, 000 monthly expenditure is found to be significantly associated at 5% level.
- Above Rs.15001 as savings and low level of Satisfaction are significantly associated at 5% level with the level of investment.

SUGGESTIONS AND RECOMMENDATIONS

Safety is the factor, which influence the investors mostly by making a particular investment decision.

Suggestions to Investors

- It was found that the instruments of the capital market like equity shares, debentures, and mutual fund units have not influenced the employees. Hence, the policy should be to spread these and other financial instruments.
- The employees should approach to the professional such as Tax Consultant, auditors to get dual benefits. They should avoid the listing of trials or not to take self decisions when they wants to make investment into any avenue. It is better to consult with experts in that field.

Financial Institution

- Investor those who invested in post office, fixed Deposit and insurance does not seems to invest in shares, mutual funds and bonds and other investment avenues.
- The main reason is that investors are not much aware about the latest investment avenues. So, company shall make the investors aware about it.

Government

- Government should make available more proper financial education consultants in order to educate the investors about investing and about the various avenues available namely stocks and bonds. It gives proper awareness and to know how about securities to invest for salaried individuals.
- Attractive and innovative investment avenues can be introduced for investors.

CONCLUSION

Investment climate must attract the people to save from their income at times even by forgoing the enjoyment of comforts and luxuries. Countries can never sustain development unless they have adequate savings. So, favorable climate is to be assured by the government to provide investment climate guaranteeing acquisition, maintenance and liquidation of assets. Since savings is the main factor for investment, the government though legal measures encourage savings accumulation. For the growth of a disciplinant investment market a well organized monetary system though protecting the investments against the eves of inflation or depletion is to be kept by government. Today, the living standard of the people increasing day by day so salaried class community has started realizing the importance of savings and proper investment of their savings. They avoid spending money on heavy luxurious life style and preferring the normal living standard. It is evident from the study undertaken that most of the people are saving their money for children's education, marriage and to fulfill the other goals of life. There is bright chances to increase the saving and investment habits of salaried class people at Coimbatore District.

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