
An analysis of Investment Pattern of Salaried Employees

- A Case Study of Visakhapatnam

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Abstract:

In General sense, the term investment is an type of activity that is being engaged in by the people who have to do savings i.e. investments are made from their savings, or in other words it is the people invest their savings. At present a variety of different investment options are available to the investors that are bank, Gold, Real estate, post services, mutual funds & so on much more. Investors are always investing their money with the different types of purpose and objectives such as profit, security, appreciation, Income stability. Researcher in this study has studied the different types and avenues of investments available and the factors that are required to be considered while selecting the investment with the sample size of 100 salaried employees by conducting the survey in Visakhapatnam City, India. The study identifies the preferred investment avenues among individual investors using their own self-assessment test for the purpose. The analysis established that that salaried employees are considering the safety as well as good return on investment as top priority before investment . Respondents are much more aware about the different investment avenues available in India except female investors.

1. INTRODUCTION

The developing countries in world , like India face as seen the enormous task of finding sufficient capital to utilize in their development efforts. Most of countries find it difficult at stage to get out of the vicious circle of poverty that is prevailing of low income, low saving, low investment, low employment etc and the list goes on. With high capital output ratio, that is observed India needs very high rates of investments that would take and make leap forward in her efforts continues of attaining high levels of growth.

The major features that is seen in an investment are safety of principal amount, liquidity, income and its stability, appreciation and lastly easy transferability. A different variety of

investment avenues in abundance and types are available such as shares, bank, companies, gold and silver, real estate, life insurance, postal savings. All the investors invest who wish to invest, invest their surplus money in the above mentioned avenues that are available based on their risk taking attitude and capacity bearing.

Key Differences between Savings and Investment

The differences between savings and investment are explained in the following points:

1. Savings means to set keep aside a part of your earned income for future use. Investment is often defined as the act of putting funds into the productive uses, i.e. investing in such investment vehicles which can reap money over a period of time.
2. People often save money, to fulfill their unexpected and sudden expenses or urgent money requirements. Conversely, investments are made or done to generate returns over the period so that it can help in capital formation of an individual.
3. With an investment, there is follows always a risk of losing money. Unlike savings, there are comparatively fewer chances of the losing the hard-earned money.
4. Investment provides higher returns than savings, as there is a assured and nominal rate of interest on savings. However, the investments in turn can earn money more than the invested amount, if invested wisely.
5. You can have easily have access to your savings, anytime because they are highly liquid and flexible, but in the case of investment you cannot have easy access to money as compared, because the process of selling the investments and making liquid takes some time.

Investment Option Available:

There are a large number of investment instruments available today. The people has to choose proper avenue among those available, depending upon their specific need, risk preference, and return that are expected. Different Investment avenues can be broadly categories under the following heads.

1. Equity
2. Debt
3. Mutual Funds
4. Corporate
5. Debentures
6. Company Fixed Deposits
7. Fixed Deposits
8. Post office Savings
9. Public Provident Fund
10. Real Estate
11. Life Insurance
12. Gold/Silver/Others

2. RESEARCH DESIGN

2.1 Objective and Scope of Study:

- a. To analyze the investment preference among the different salaried employees working in in Visakhapatnam.
- b. To establish the factors influencing investment behavior of the salaried employees.
- c. To analyze the pattern of investment and saving among the salaried investors.
- d. To Find out the mode of investments of the salaried respondents in various investment avenues.

2.2 Scope of the Study:

This study is focusing on the preference of Investments by salaried employees and confined to Visakhapatnam city, an executive capital of Andhra Pradesh State. Further, this City is having 4 SEZs and having different types of industries around it. It is possible to seek the opinion of the different class of salaried employees.

2.3 Need of the Study:

Most of the salaried employees do have fixed flow of income per month therefore their investments patterns are found also different. There is a great need to analyze investment patter of salaried employees therefore researcher has tried to find out investment behavior of salaried investors in Visakhapatnam city which could facilitate understanding the investment preferences of investors in the City. The research will focus light in this direction to provide investment behavior become the helping hand to the research scholars as well as students for their further studies in their respective area.

Research Design: This study is based on exploratory study as well as descriptive study. The Descriptive research is here carried out to describe about the phenomenon. This study is hence done to understand the investment behavior of the different salaried groups and it's approach towards investment avenues in Visakhapatnam City.

Sampling Unit: Sampling unit implies that who are the respondents from the salaried class people/Investor.

Sample Size: Sampling size is 100 for convenience i.e. 100 employees fill the questionnaire for the survey.

Sampling Technique: Sampling technique is the technique used to select the sample size. Convenient sampling technique used in this research. In this, Investors were taken according to the convenience of the research study.

Sampling design: Since the information is to be taken from Investors, a questionnaire has prepared for studying the saving habits and investment pattern of salaried class employees at Visakhapatnam city.

Data collection source: The study used both secondary and primary data. The secondary information is collected from different published materials vis. Books, Journals, magazines & websites etc. And primary data is collected by communicating with respondents through a structured schedule. The study was done with the help of primary data using the schedule as a tool to assess the investment and its behavior patterns of sample employees. As the study aims at soliciting opinion about the investment avenues a closed ended schedule is prepared with several characteristics of attributes to analyze and assess the relative importance of each of the statement on a five-point Likert scale.

This study has focused on preferred investment avenues that are available for investment by salaried employees as key objectives to find preferred investment avenues & also to know the awareness level of the salaried investors.

Statistical Tools: simple statistical tools including chi square are used for analyzing sample data

Hypotheses

The following Hypothesis is constructed for this study

H01 : There is no significant relationship between the Gender and the Investment awareness level

H02 : “There is no significant relationship between the income level & awareness of the investments”.

3. REVIEW OF LITERATURE:

Securities and Exchange Board of India (SEBI) and NCEAR (2000) ‘Survey of Indian Investors’ had been report that Safety and Liquidity were the primary considerations which determined the choice of an asset. In this paper we are trying to find out the Factors which influence individual investment decision, the difference in the perception of Investors in the investing process on the basis of Age and the difference in perception of the Investors on the basis of Gender.

Karthikeyan (2001) has conducted research on Small Investors Perception on Post office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for kisan vikas patra (KVP), National Savings Scheme (NSS), and deposit Scheme for Retired Employees (DSRE),and the Overall Score Confirmed that the level of awareness among investors in the old age group was higher than in those of young age group.

Sandhu and Singh (2004) The study was based on structured primary data. The sample of 50 adopters and 50 non-adopters from the universe comprising the city of Amritsar was selected. The study analyzed in case of adopters that transparency, safety, convenience and economy judged as an important feature of net trading followed by market quality and liquidity whereas in case of non-adopters economy and convenience were the important features followed by the other factors like market quality, safety and liquidity.

Avinash Kumar Singh (2006) the study analyzed the investment pattern of people in Bangalore city and Bhubaneswar & analysis of the study was undertaken with the help of survey method. After analysis and interpretation of data it is concluded that in Bangalore investors are more aware about various investment avenues & the risk associated with that.

Manish Mittal and Vyas (2008) Investors have certain cognitive and emotional weaknesses which come in the way of their investment decisions. Over the past few years, behavioral finance researchers have scientifically shown that investors do not always act rationally. They have behavioral biases that lead to systematic errors in the way they process information for investment decision. Many researchers have tried to classify the investors on the basis of their relative risk taking capacity and the type of investment they make. Empirical evidence also suggests that factors such as age, income, education and marital status affect an individual's investment decision. This paper classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors.

D. S. Chaiubey and Rajat P. Dimri (2009) in their research article, "Investment Pattern: A Psychographic Study of Investors of Garhwal Region of Utrakhand" identify the investment perceptions and their behavior for designing effective investment policies. Analysis indicates the shifting trend of investors from post office and other government investment schemes to investments in banks, mutual funds and equity etc.

Mehta and Aggarwal (2011) observed that there is association of demographic profiles and personality type of investor with investment choice. The differences among genders were found to be significant for provident funds, fixed deposits, and real estate. Females were found more conservative than males. The investors in the higher age groups preferred post office as an investment option compared to the investors in the lower age groups. Most of the investors preferred to consult their family members for making investment.

Sanjay Kanti Das (2012) summarized that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to get benefit of safety and security of their life and investment. It was found that there is a need for increasing the financial literacy among the middle class households.

Lalit Mohan Kathuria & Kanika Singhanian (2012) concluded that private sector banking employees were investing a larger portion of their savings into safe and risk-free investment avenues, like employee provident fund, public provident fund and life insurance policy and only forty per cent of the respondents had high level of awareness regarding various investment avenues.

Age and stage of the population will also affect the fraction of aggregate income spent (Fisher J, 1952). Both ends of the age distribution, the old and the young tend to spend a higher proportion of their incomes than those in the middle do. The savings-income ratio is

small for younger groups, high for middle age groups, and again low among old age groups (Ashok Kumar, et al, 1985).

V.R.Palanivelu & K.Chandrakumar (2013) examined the Investment choices of salaried class in Namakkal Taluk, Tamilnadu, India with the help of 100 respondents as a sample size & it reveals that as per Income level of employees, invest in different avenues. Age factor is also important while doing investments.

Sonali Patil (2014) studied preferred investment avenues among salaried people with reference to Visakhapatnam City, India. A sample size of 40 investors has been taken from the Visakhapatnam City, India. The result of finding showed 60% investors were aware about the investment avenues whereas 40% were unaware.

4. ANALYSIS AND INTERPRETATION

Observed Frequency:

Gender	Awareness	Unawareness	Total	Percentage
Male	42	14	66	66.6%
Female	32	12	44	43.4
Total	74	26	100	100

(Source: Primary Data)

Chi-Square Test:

O	E	(O-E)	(O-E) ²	(O-E) ² /E
42	27.133	1.867	3.486	0.1285
14	9.867	-1.867	3.486	0.3533
32	16.867	-1.867	3.486	0.2067
12	6.133	1.867	3.486	0.5684
			Total	1.2569

Degree of freedom: $v = (r-1)(c-1)$, $v = (2-1)(2-1)$, $v = 1$

Our calculated Chi-squared score (1.2569) is less than the 0.05 level significance (3.841). So, Null hypothesis is accepted.

Conclusion: Hence it is concluded that there is no significant relationship between the Gender and the Investment awareness level.

Testing of Hypothesis No 02:

“There is no significant relationship between the income level & awareness of the investments”.

Sr. No.	Income Group per Year	Awareness	Unawareness	Total
1.	Less Than Rs. 100000	10	4	14
2.	Rs. 100000 to Rs. 300000	24	7	31
3.	Rs. 300000 to Rs. 600000	24	5	29
4.	Rs. 600000 to Rs. 1000000	14	2	16
5.	Above Rs. 1000000	10	0	10
	Total	82	18	100

(Source: Primary Data)

Chi-Square Test:

O	E	(O – E)	(O – E) ²	(O – E) ² /E
10	2.2	-1.2	1.44	0.65
4	0.8	1.2	1.44	1.80
24	8.06	-4.06	16.48	2.05
7	2.93	4.07	16.56	5.65
24	21.27	2.73	7.45	0.35
5	7.73	-2.73	7.45	0.96
14	11.73	2.27	5.15	0.44
10	4.27	-2.27	5.15	1.21
1	0.73	0.27	0.07	0.10
0	0.27	-0.27	0.07	0.27
			Total	13.48

Degree of freedom: $v = (r-1)(c-1)$, $v = (5-1)(2-1)$, $v = 4$

Our calculated Chi-squared score (13.48) is greater than the 0.05 level significance (9.488). So, Null hypothesis is rejected.

Conclusion: Hence it is concluded that there is significant relationship between the income level & awareness about the investments avenues.

Percentage wise monthly saving of salaried class people

Saving Range	No. of Respondents	Percentage
10% to 20%	33	33%
21% to 30%	42	42%
31% to 40%	13	13%
41% to 50%	9	9%
Above 50%	3	3%
Total	100	100%

(Source: Primary Data)

Factors Influencing While Selecting Investment Avenues

Sr. No	Factors	No. of Respondents	Percentage
1.	Safety	94	28.65854
2.	Liquidity	40	12.19512
3.	Tax Saving	56	17.07317
4.	Diversification	23	7.012195
5.	Affordability	55	16.76829
6.	Simplicity	60	18.29268
	Total	328	100

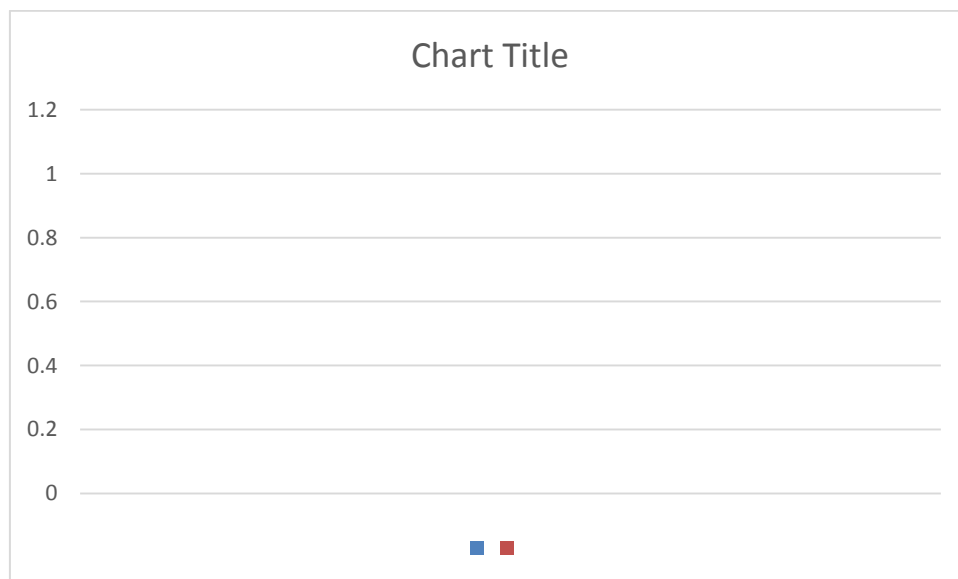
Note: Since some of the investors have mentioned more than one response, the responses are outnumbered the respondents. (Source: Primary Data)

Objectives of the Investment

Sr. No	Factors	No. of Respondents	Percentage
1.	Future Security	49	24.38%
2.	Good Returns	54	26.87%
3.	Liquidity	22	10.95%
4.	Capital Appreciation	22	10.95%
5.	Tax Savings	29	14.43%
6.	Children Career	19	9.45%
7.	Other	6	2.99%
	Total	201	100%

Note: Since some of the investors have mentioned more than one response, the responses are outnumbered the respondents. (Source: Primary Data)

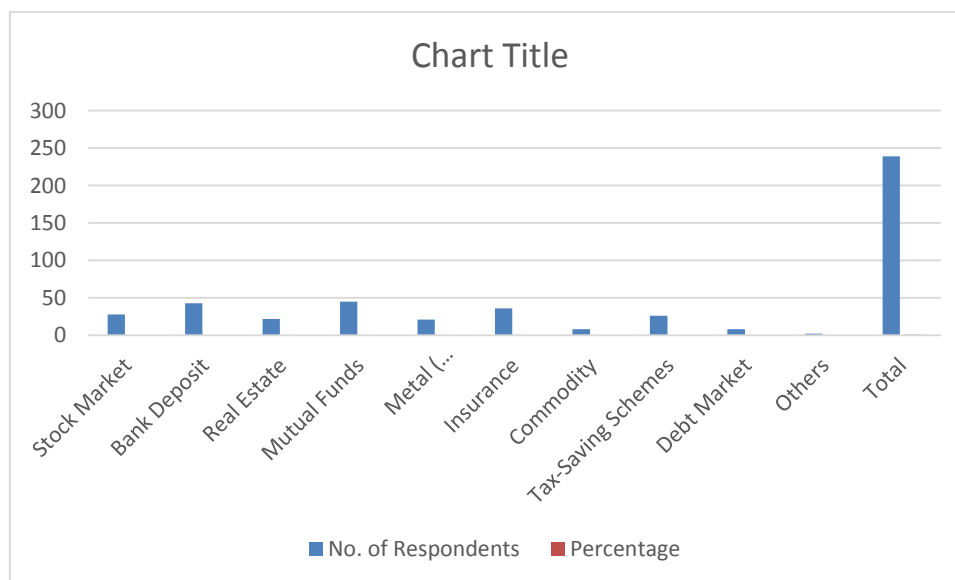
Most Preferable Investment Options



Sr. No	Investment Options	No. of Respondents	Percentage
1.	Stock Market	28	11.72%
2.	Bank Deposit	43	17.99%
3.	Real Estate	22	9.21%
4.	Mutual Funds	45	18.83%
5.	Metal (Gold/Silver/Others)	21	8.79%
6.	Insurance	36	15.06%
7.	Commodity	08	3.35%
8.	Tax-Saving Schemes	26	10.88%
9.	Debt Market	08	3.35%
10.	Others	02	0.84%
	Total	239	100%

Note: Since some of the investors have mentioned more than one response, the responses are outnumbered the respondents. (Source: Primary Data)

Level of Risk Involved in the Investment Schemes



Investment Options	Very High	High	Moderate	Low	Very Low
Stock Market	81.67%	18.33%	-	-	-
Bank Deposit	-	1.67%	28.33%	28.33%	41.67%
Real Estate	10%	18.33%	38.33%	23.33%	10%
Mutual Fund	5%	38.33%	55%	1.67%	-
Metals	1.67%	20%	40%	30%	8.33%
Insurance	1.67%	11.67%	55%	28.33%	3.33%
Commodity Market	33.33%	28.33%	23.33%	15%	-
Tax-Saving Schemes	-	18.33%	43.33%	28.33%	10%
Debt Market	11.67%	30%	35%	20%	3.33%

(Total number of respondents is 100 (Source: Primary Data))

Comparative Analysis of Review or Survey:

It is established from the research survey that there is no relation between the gender and the level of awareness of different avenues of investments. One cannot say that either only male or only female are more aware about the investment avenues.

Further from the research 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 not natural will have awareness regarding it.

As further bank deposit and mutual funds are the most preferred sources of investments by the respondents in Visakhapatnam. Every respondent feels that there is high level of risk is associated with the investments that they do. It is proved that every salaried employees need to bear the risk associated with the investment.

5. FINDINGS:

1. The researcher has investigated 100 respondents in Vizag city & it reveals that 66% Investors are aware about the investment avenues whereas 34% are unaware.
2. There is as such no significant relationship between the Gender and the Investment awareness level among female and male respondents respectively are aware about different investment avenues.
3. There is significant relationship between the income level & awareness of the investments among respondents as comparatively higher income class people are more aware about different investment avenues than respondents with lower income class people.
4. The researcher found that out of 100 respondents, 75% respondents are of the opinion that educational qualification effects on selection of investment avenues. Researcher has found that on an average 20% saving from monthly salary is made by 60 respondents.
6. Safety is the major factor while doing investments as 26.34 percentages of the respondents are investing their money due to safety & 16.10 percentages of the respondents are investing their money in tax saving scheme for tax benefit purpose.
7. The main objectives of investors are good returns followed by future security on investments as percentages are 26.87 and 24.38 respectively.
8. The researcher found that self-awareness is the main source of investment as percentage is 26.88. Mutual Funds are the first preference given by the investors for investment as the percentage is 18.83.

10. Researcher has found that 33.33% and 27.66% of respondents prefer to invest their money for yearly and half yearly basis respectively.

6. SUGGESTIONS:

"If you want to get rich, save whatever you get. Even A fool can earn money; but then it takes a wise man to save and to dispose of it to his own advantage." -- Brigham Young.

It is absolutely essential to save your income what you earn, to have a plan for your future, and to resist spending funds that you do not already have. Mutual fund is the also found as most favored option by the youngsters today. Investment in mutual funds through the way of Systematic Investment Plan (SIP) is a favored investment option by the youngsters.

Awareness programs needs to be conducted by stock broking firms, because most of the respondents i.e. investors are thinking that these avenues are loss making & having are having no good return on it. Hence the researchers have concluded that most of the investors prefer secured regular income on investment in the study Area.

7. CONCLUSION:

After the analysis & interpretation of data by the researcher it is 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.

It is absolutely essential and needed to save what you earn, to have a plan for your own future, and to resist the spending funds that you do not already have.

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