



SAVING - INVESTMENT PATTERN OF SALARIED CLASS PEOPLE

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ABSTRACT

The present study on "Saving - investment pattern of salaried people" is an attempt to identify the salaried people's most preferred investment products and the influencing factors of investment behavior. Saving and investment are necessary for uncertain future to meet the various needs of life and also it is required for growth of an economy. Saving means sacrifice the current consumption in order to increase the living standards and fulfilling the daily requirements in future. Today investment is an economic activity. In this economy salaried persons make a huge contribution for economic development from their income. Fruitful channelization of their income leads to sectoral development in the economy. The study is carried out by using a structured questionnaire. The specific objectives of the study are, to examine the saving and investment preferences among the salaried people working in different sectors and to identify the factors or determinants influencing the investment behavior of the salaried people. The primary data are collected from 120 salaried people from Kannur district. The study reveals that most of the respondents go for investment in tax saving scheme and LIC rather than opting for high risk securities like stock, bond, real estate etc. The main goal of their savings and investment are; tax benefits, safety, high rate of return. The determinants that are influencing investment behavior are the factors like age, gender, marital status, educational qualification, occupation and income. The respondents are well educated, earn higher levels of salary. Their savings and expenditure have a great bearing on the growth and development of the country, but here the study show that salaried respondents are not ready to take higher risk in their life, they choose a safe play for investment. As such, efforts should be made to attract salaried persons by providing right information and knowledge about investment schemes, through advertisements and other measures.

KEYWORDS :**BACKGROUND**

India is a developing country where, there has been a consistent increase in the national saving rate after the independence period, though with considerable fluctuations from year to year. From international standpoint of view, India had a high saving rate compared to other developing countries, except those in East Asia. Indian economy is one of the rapidly growing economies of the world where more than 50% of the people in middle income group. However most of them try to save or invest their income in various avenues. Since the beginning of the planning, the prominence was on investment in primary instruments of economic growth and increase in national income. The three variables that measure the growth of an economy are income, saving and investment. While investment is the single most factors for the development of an economy, it is saving which provides the basis for investment. The planners in India believed that the level of saving was the principle bottleneck for achieving a higher rate of growth and also to develop a self-reliant economy, rate of saving will have to be pushed up. In case of domestic savings is not sufficient, we may invite foreign capital to supplement domestic saving. But the ultimate result is that foreign saving has to be paid back with interest. It was implied that transferring a part of the burden of development to the future generations.

Development of an economy necessarily depends upon its financial system, and rate of new capital formation which can be mobilizing saving and adopting an investment pattern. There are different types of investors and each category of investors differs in its objectives, and hence it is imperative for investment to choose an appropriate investment policy for the group they are dealing with. The savings from household sectors of India contributes a lion share of local saving of nation and major influences on the Indian economy. Saving rate of the household sector of both rural and urban should be stepped up to boost the saving and the growth of the economy. The salaried employees consider both safety as well as good return on investment that is why they invest on a regular basis. Investment is a type of activity that is engaged in by the people who have to do savings. That is, investments are made from their savings or in other words it is the people who invest their

savings. A variety of investment options or avenues are available to them such as bank, gold, real estates, post office savings, mutual funds, government saving and investment schemes and so on and so forth. Investors are always investing their money with different types of purpose and objectives such as profit, safety and security, appreciation, income stability, liquidity etc. Today, the living standards of the people increasing day by day so salaried class community has started realising the importance of saving and investment of their income. Salaried employees in general have fixed flow of income and their investment patterns are found different. Saving preference of salaried people can be an important constraining factor on growth. Substantial portion of saving of the salaried people is in the form of physical asset which are not productive in some cases.

Statement Of The Problem

Stood Deepak and Dr. Kaur Navdeep (2015) had made an attempt to evaluate the saving habits and investment pattern of salaried people and also analyze the investment solution behavior of salaried people. Their study concluded that today the living standard of people is increasing day by day, so salaried class community has started to realize the importance of saving and proper investment. They avoid spending money on heavy luxurious life styles and prefer the normal living standard.

The present study helps to understand the investment preference of investors and also understand most preferred investment avenue of salaried employees. Most people save money for various purposes like children's education, marriage, and to fulfill the other goals of life. Salaried people consider safety and regular return as most important in relation to their investment decisions.

Besides it, investment decisions are influenced by high return prospects, tax benefits etc. The financial knowledge and financial behavior are having a considerable impact on saving and investment decisions. In this economy salaried persons make a huge contribution from their income or salary. Their saving and expenditure have a great bearing on the development of the economy.

Objectives Of The Study

This study is aimed to find out the saving and investment behavior of the salaried people according to the age, income, occupation etc. and also to know about the expectations of the people's with regard to the return based on their investments.

The specific objectives of the study are

1. To examine the saving and investment preference among the salaried people working in different sectors.
2. To identify the factors or determinants that are influencing the investment behavior of the salaried people

Saving-investment Pattern Of Salaried People – The Empirical Results

Sathyamoorthy C (2015) conducted a study based on Investment pattern and awareness of salaried investors. This research paper focuses the factors motivating the investment preferences and the factors influencing the investment perception. This also aim to measure the level of satisfaction of investors and identify the problem faced by investors. This study reveals that bank deposits still remaining in the most preferred investment avenue of employees. The result highlight that the certain factors like education level, age of investors, number of family members etc. make significant impact while deciding on the avenue of investment.

The present study for its analysis mainly depends on primary data and data are collected from 120 salaried individuals of Kannur district using a structured questionnaire. The demographic characteristics such as age, gender, education, occupation etc. have an important bearing on individual preferences towards saving and investment.

Age And Saving

The age level of an individual plays an important role in the saving decisions of the salaried persons. Young age groups are risk taking while old age groups are generally risk averse. Majority of the respondents fall into the age group of 35-45 (36%) 17 of them are female and remaining 26 are male. There are only 12 and 7 respondents who fall into the age groups of below 25 and above 55 respectively. The relationship between the saving and age revealed that the middle age group saves more compared to the people in the group below 30 and above 45 years. Those belonging to the age group below 30 and more than 45 spent more and save less. They save an amount between Rs. 10000-20000. But the middle age group saves up to the range of Rs. 30000-40000. The age group between 25-35 saves above 6000.

Gender And Saving

Ganapathi's (2014) study mainly focused the investment pattern of government employees and the attitude of the people which is varied according to their income, occupation, age so on. The study find out the male respondent are risk takers as they expect return rather than women. The youngsters are well aware about the share market, so they are very interested to participate in share market. From the present study also it is inferred that gender is an important factor that influences the saving and investment behavior of an individual. Male and female have significantly different saving behaviors. Female save major part of their income and more for short term needs as compared to male while male save for medium and long term needs. Majority of the female always worried about the long term requirements of the family and especially about the future of their children. It is generally seen that the savings of the females are completely utilized for the family needs compared to those of males. Out of respondents 67 (56%) respondents are male and 53 (44%) respondents are female. The female respondents are risk averse and male are risk takers. The gender influences the saving pattern as it is shown that the male populations save more compared to female in the study samples. This may be due to the fact that female income is completely used for the

welfare of the family, and more over the financial decisions are always carried out by the male head of the family.

Education And Saving

Saving and investment of salaried persons are linked with their educational qualification. Usually more educated people make saving and investment than others. Educational attainment of a respondent has a direct influence on saving and investment. Moreover to verify the influence of education on the level of awareness among the investors about various investments alternatives available to them, an analysis of educational - wise distribution of avenues is undertaken. Several studies indicate that saving rate increases with education, even after considering a variety of control variables. Most of the respondent had educational qualification up to graduation (32%), only 6% of total respondents have secured high school education. 26% of total respondents have professional education qualification. The study revealed that the educational attainment has a direct influence on the saving investment preferences. Educated people may have a broader view about the life and also have more information about the various saving/investment options/avenues.

Marital Status

One of the determinate factors of saving and investment of salaried persons is marital status of respondents. The married people save more than the single due to their multiple needs. The study reveals that out of the samples 56% respondents are married and 38% respondents are Unmarried, only 5 Widow and 2Widowers who represent the sample respectively.

Occupation

Occupation of the respondents is the one of the major determinant of saving and investment of salaried persons. Out of the sample 52% are government employees, of which 12 are working in teaching profession, 24 police, 14 KSEB employees and 9 defence personnel. Out of total respondents 6% are working in co-operative sector. The remaining respondents are working in various private sectors.

Monthly Income

Monthly income of each respondent is one of the important determinant of saving and investment of salaried persons. There is a direct relationship between income and saving, when income increases saving also increases, but more increase in income consumption increases with but less proportionately. When income is very low savings may become negative. The influence of monthly income on saving is different from individual to individual. The rate at which the saving increases with the increase in the income depends up on the standard of living, needs and their aspirations. In the present study 30% of the total respondents are in the income group between 20000-30000. And 16% of them are in the income group less than 20000. 26% of respondents are getting above Rs 50000 per month as their earnings.

Based on the survey representing the salaried section 100 percentage of them save a part of their income. Out of the total 42% of respondents invest their income between 20-30%. Only 6% invest 10% and below of their income. 18% respondents invest 40% and above of their income for investment. The regular income from their occupation and other sources enabled them to save more and invest more. They have both ability to save and willingness to save and hence they contribute to the capital formation of the country. Thus, they took part in the nation building and economic development

Family Budget

Budgeting helps individuals to save money by controlling expenses and eliminating wasteful spending. Budget creation helps to reorganize finance, prioritize spending, and manage

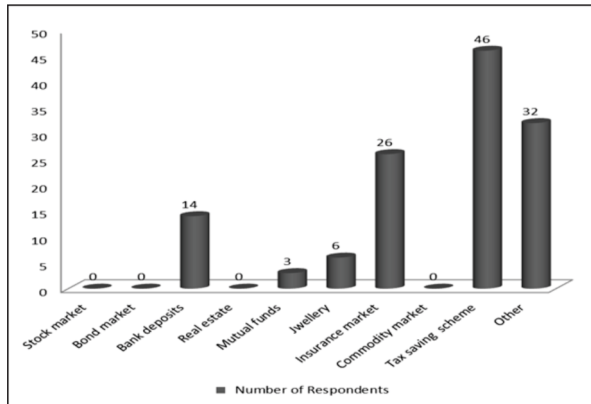
debt, and thereby helping to generate long - term financial goals. In simple language, budgeting helps to save money. In this study, the information reveals that most of the respondents have no proper budgeting. Around 22% respondents keep family budget expenditure, Remaining 78% of respondents have no any proper budget policies.

Annual Savings

Saving is very important for every income earners. And with the saving investor always opt for a good return. The saving normally depends upon respondent's willingness and ability to save. The study reveals that 12% of respondents save income less than 10000 and more than 38% of the total respondents save income between 10000 to 20000, 18 percent save between Rs 30000 to Rs 40000 and only 4 percent save income between Rs 40000 - 50000. 8 percent of total respondents save their income more than Rs.60000. It is indicated that the whole income earned is not spent, while the sufficient amount of money is saved by the salaried class. Apart from the salary income they used to save other income also.

Saving-investment Avenues And Preferences

Respondents save or invest their income in various schemes for various reasons. The stock market, bond market, bank deposits, real estate, mutual funds, insurance market etc. are avenues available or open to them but their preference varies from individuals to individuals. 46 respondents preferred tax savings schemes, it mainly includes provident funds and postal savings. 26 preferred LIC, 14 respondents have fixed bank deposits. Here the study shows that 32 respondents come under the category of other, it includes money saving through village chitty including KSFE, kuris etc. Mutual funds and stock market are less preferred options for the investment done by the respondents only 3 people expressed their preference for this channel. People have no interest to invest money into bond market, real estate, commodity market. This revealed that respondents preferred highly liquid and safe mode of assets.



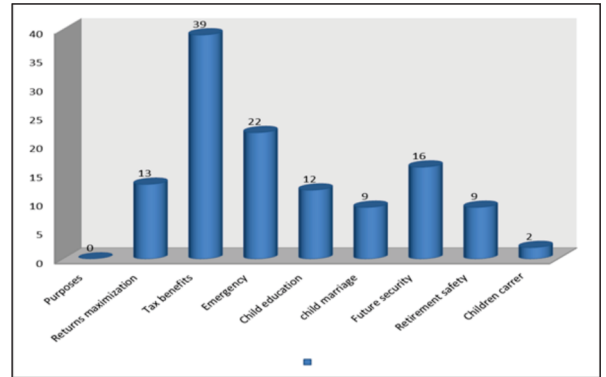
Source: Primary data

Figure 3.8 Saving-investment Options And Preference

Objectives Of Investment

The individual invest money in various options with different purposes, it is naturally different from person to person. Generally people save their current income for some future benefits. The important objectives of investment are return maximization, tax benefits, emergency, education and marriage of children, future security, retirement safety, children career etc. The foremost purpose of investment is to attain tax benefits. 53 respondents save with the aim to meet emergency situations due to the fact that future is unpredictable. People will save money for their children's future purposes like marriage, education, and carrier. The other objective of investments are return maximization,

security for future, 22 respondents save for retirement safety. Generally the salaried class saves and invests with the objectives like tax benefit, to meet unexpected contingencies in the future, and hence future security. The study findings do not contradict the general trend in the saving and investment habit of the salaried sections of the community.



Source: Primary Data

Figure 2: Objectives Of Saving And Investment

Investment Decision Making

The investment decision is finance terminology related to a decision made by the investors concerning the amount of funds to be invested in the various investment vehicles. Many factors influence the investment decision of salaried persons. Proper decision making helps to earn more benefits. In the process of making investment decisions the individual investors are influenced by family members, colleagues, friends, agents, investment analysts, investment planners etc. There are formal and informal agencies which can influence the choice of investment products. Before taking the proper decision regarding investment it is necessary to analyse the expected return and the risk involved. In this context, the influence of both formal and informal systems is important. In the present study 44 percentage of the respondents decisions are mainly discussed with their spouse. 30 percentage take decisions alone. 6 percentage respondents consult investment planners. Mothers have no role in investment selection decision making process.

Factors Influencing Investment Decisions

Individuals invest their surplus money in any of the investment avenue depending upon various factors like risk, returns, safety, liquidity, tax benefits etc. The most important factors are tax benefits, high rate of return, safety, good service. And least influencing factors are diversification and liquidity. The salaried class gives emphasis to tax benefit, return or yield, Diversification does not play any role in determination of investment. Theoretically, diversification is considered as an important factor because through diversification the investors can minimize the risk associated with the purchase of assets.

Sectors Of Investment

People generally invested in various sectors like private, government, public even some times foreign sectors, based on their preference. If the individual is not willing to take high risk they invest in government sector otherwise if they are risk lover and expect more return they invest in private and foreign sectors. Government financial instruments are practically no risk of default and are called risk free gilt edged ones. Private sector and the foreign sectors are risky but they provide high return instruments. Most of the respondents' investment is in government sector and they are not ready to take high risk. Out of sample respondents 64% invest in government sector, Remaining 26 % invested in private, 8% in public sector and 2 % in foreign sector.

Expected Rate Of Return

Every investor expect specific rate of return from their

investments. Sometimes return is same as we expected and otherwise below the expectation. Expectation about the future rate of return is very important in selecting the saving/investment avenues. The findings of the study reveal that 38% of the individual who expected earnings from investment is between 11% to 14%. 8% have no high expectations in their investments. They anticipate around 4% rate of return. 22% of the total respondents expect above 14% return from their investment.

CONCLUSION

Saving is very important part of economy for getting invested in various options available to people. An investment refers to the commitment of funds at present, in anticipation for some positive rate of return in future. Today the spectrum of investment is indeed wide. Though individuals are more aware about the different investment avenues, most of the people prefer for investment options like LIC, public provident funds, post office deposits, bank deposits etc. All these are low risk Investment Avenue when compared to stock, bond, real estate etc. Individuals are aware about share market, mutual funds but they consider these investment avenues as a high risk channels.

The present study made an earnest attempt to achieve two objectives. The ultimate study analysis individual characteristics of salaried persons such as age, gender, income, marital status, educational qualification and occupation which determines the saving and investment pattern of salaried persons. The individual investors still prefer to invest in financial products which give risk free returns. This confirms that individuals even if they have high income, well educated, but they prefer to play safe. The data analysis of research reveals that tax benefits, safety, higher return are the main goal of doing investment. The study is a reflection of the awareness and factors concerning, risk taking ability of the various categories of salaried individuals.

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

The economy is prospering, the job market is booming and salaries are touching new heights. The new breed of Indian youth has its pockets full and is intelligent enough not to let its money rest in bank accounts. Investment is in their mind and option that has the potential to multiply their savings and provide maximum tax rebate is the type of investment they crave. The pattern of disposition of saving is an important factor in determining how the saved amount is utilized for productive purposes. The portion of saving of salaried persons is mainly partitioned in various avenues determining the channelization of saving for investment in other sectors of the economy.

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