Study of Savings pattern, Investment Awareness and Preferences: A Case Study of Jalgaon District Investors

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Abstract: The nature of financial market has changed drastically; investing money has become a very complex task because of huge number of savings and investment companies and products offered by them, terms and conditions of investment and prevalent complex rules and regulations. In spite of remarkable growth of economy and increasing income levels of people, the pace of saving mobilization is lower in India. Most of the investors, particularly rural investors are found unaware about investment avenues and rules and regulations.

The study attempted to find out the savings pattern, investment awareness and preferences of Jalgaon district investors about various investments avenues. A sample of 300 respondents was selected from 15 taluka places from Jalgaon district, Maharashtra. The study disclosed that there was significant difference in the importance investors attach to the investment avenues and the various objectives of investing. Jalgaon district investors are not financially literate person. Majority of the investors show their preference towards secured investment attitude like bank fixed deposit, gold, mutual fund, real estate. To improve financial literacy level of investors, literacy programme should be implemented with the help of NGOs, banks and rural development officers which guide investors about how to save and invest money in profitable investment avenues compromises of low risk.

Key words: Savings and investment, investment objective, preferred avenues, investors' awareness level.

I. Introduction

Besides spread of education and increased literacy level, the speed of financial literacy is much slower in villages. Financial exclusion is widespread. However, the efforts by the government with banks and NGOs through Financial Inclusion Programme and Prime Minister's Jan Dhan Yojana are certainly going to enhance the financial literacy and investment awareness level of rural people.

Rural economy is growing impressively and it has led to the introduction of a various investment opportunities. Besides savings in banks and post offices, investors have the choice of a variety of instruments but most of Jalgaon district investors are not aware of it or scared to invest rather than

traditional investment avenue due to lack of financial knowledge. The rural investor needs to be acquainted with investment principles, risks involved and the instruments yielding high returns. People invest their money in hope of getting good returns, enough liquidity and safety. Socioeconomic status of Jalgaon district investor is one of the significant factors in selecting and investing in particular financial product. The present research paper is an attempt to highlight on savings and investment pattern, objective of investment of Jalgaon district investors, their perceptions regarding various investment avenues.

II. Literature Review

Capital formation process involves earning, saving and investment. During 2005-11 the percentage of total household savings in India was 33.7% of GDP (RBI, Working Group Report- Trends in Gross Domestic Savings, 2011). Bank deposits continued to account a dominant share (49.9%) followed by Life Insurance Policies (19.9%), Provident and Pension funds (10.3%) and share and debentures just 3.5%. This indicates the trend of individual savings in India. Indians have habits of savings but majority of them are averse to invest their funds and hold hard cash with them. In view of some earners, holding cash is a status symbol.

National council of Applied Economic Research (NCEAR) (2011) conducted a survey on *How household save and invest: Evidence from NCAER Household survey.* From the survey it is noticed that during times of high inflation, bonds are the preferred option by household. Married persons invest more in mutual funds as compared to unmarried persons.

Kabra, Mishra, and Dash (2010) emphasizes that risk-averse peoples choose life insurance policies, fixed deposits with banks and post office, PPF and NSC instruments as investment avenues.

Mittal & Vyas (2007) finds that the salaried class prefer to invest their money in equities and mutual funds while business class have shown an inclination to invest their money in debenture/bonds and real estate or bullions.

Chaturvedi & Khare (2012), the research finds impact of age, education, occupation and income level of individual on investment. The paper finds most of investors give 'bank deposits' as their first priority and 'safety of investment' is the first objective in choosing investment alternatives

Rajeshwari Jain (2014) finds that working women have a preference towards fixed deposit in bank as a safe investment option & for tax saving purpose. Women also select gold as good investment alternative to bank deposit.

Study on Perception of Women Investors towards Investments Kanagaraj et al. (2014) concludes, occupation and educational level does not influence awareness of women investors in Coimbatore city.

Sellappan et al. (2013) further suggest that married women are highly interested in making investment than the unmarried. As well as the younger are significantly interested to invest in stock market, insurance and bank fixed deposits as the elder women. The middle age persons wish to invest in real estate source of investment.

Puneet Bhushan & Yajulu Medury (2013) indicated that women are more traditional and take less risk and significant gender differences occur in investment preferences for insurance, fixed deposits and market investments among employees.

Agrawal (2009) noted that there is no significant difference between male and female investors in the expected rate of return. According to Clark and Strauss, (2008) it has been observed that women are more risk averse than men; the young are more risk seeking than the old; wealthier individuals showcase a greater willingness to invest in equities and the poor are risk adverse securities.

Shobhana et al. (2006) have carried out a study on investor's awareness and preferences. They examined the level of investor awareness regarding investment choice and investment risks. The study discovered that the investment in real estate is preferred by the respondents.

America Tahira and Cazilia (2006) found that women were more likely than men to have fixed income investments such as savings accounts, certificates of deposits, and life insurance with cash value. Women were also more likely than men to invest in government savings bonds or government savings bond, mutual funds.

Suman and Warne (2012), the paper throw light on the behaviour of investors affected by awareness level, duration of investment, benefits from investment, market movement, saving habits, safety, etc.

Soni (2013) attempts to explain investors do not possess enough knowledge about fundamental and technical analysis and investors don't consider financial statement of company, its profiles and its existence. They consider the advice from experts, brokers, and friends while making investment in different avenues.

Be Money Aware Blog (2012) summarized that legal, demographic, environmental, technological, social or cultural factors, peer pressure, intuition or behavioural biases, broker's advice, expert's opinions telecast on television; friends/relatives' advice, market trends etc. have impact on selecting investment avenues.

3. Statement of the problem

The individuals may be equal in all aspects, but their awareness and preferences are different in same situation. This study intends to understand the association between saving pattern & preferences of investors in Jalgaon district. This study also finds out objective of investment and awareness of Jalgaon district investors. Even though there are many researches that have been done research in this area worldwide but not lot of researches has been done in Jalgaon district context. Therefore, it is believed that this study would reduce the knowledge gap in this area.

Hence keeping this in mind, the present study intended to investigate saving and investment pattern, objective of investment and financial literacy of Jalgaon district investors.

III.   Research objective

1. To know saving pattern of respondent from Jalgaon district
2. To understand the objective of investment of Jalgaon district investors
3. To know the preferred investment avenues for individual investors
4. To examine the investors awareness level of individual investors.

5. To make some suggestions in order to enhance investment awareness among Jalgaon district people

IV.   Research Methodology:

The paper follows a descriptive research design. Primary data for analysis has been gathered using a questionnaire survey and observation method. For research purpose researcher select Jalgaon district as scope of study. The focus of the study was on understanding the preferences of Jalgaon district investors with regard to investment avenues, their financial knowledge and investment preferences. Census 2011 data show that, 68.26 % population of Jalgaon districts lives in rural areas of villages. The total Jalgaon district population living in rural areas is 2,887,20668. In total, 2858882 people were literate as per census data 2011.

Description	Rural	Urban
Population (%)	68.26 %	31.74 %
Total Population	2,887,206	1,342,711
Literates	1,877,562	1,014,320
Male Literates	1,080,250	548,973
Female Literates	797,312	465,347
Average Literacy	74.76 %	85.50 %
Male Literacy	83.32 %	89.71 %
Female Literacy	65.63 %	81.01 %

(Source: Jalgaon District Census 2011 data)

Scope of study: scope of study was limited to Jalgaon district only. Jalgaon district have population more than 4,224,442. There are 15 talukas in Jalgaon district. The scope of study was limited to investors of Jalgaon district only.

Sample size and data collection: - Structures questionnaire is designed for investors after conducting pilot study. Area sampling under random method was used while selecting 300 investors from the 15 talukas of the districts. 20 investors from each taluka place considered for study. Stratified random sampling method was also used for investors from different talukas. Investors belong to different strata, *viz.* professional, businessman, students, housewives and others in service and they were again stratified on the basis of different strata: *viz.* different age groups, genders, income levels. Both primary and secondary data used for the purpose of study. Secondary data on historical and current prices of stock was collected from the official websites: Bombay stock exchange (www.bseindia.com) and National Stock Exchange (www.nse-india.com).

Statistical test:-. Freidman Chi square test is applied for testing the hypothesis

Hypotheses of the study were:

H0: There is no difference in the importance investors attach to the various investment avenues.

H1: There is significant difference in the importance investors attach to the various investment avenues.

H0: There is no difference in the importance investors give to the various objectives of investment in the stock market.

H1: There is significant difference in the importance investors give to the various objectives of investment in the stock market.

V. Results and Discussion:

1.   **Saving pattern of respondents**

Table 5.1 Savings pattern of respondents

What percentage of your income do you save?		Frequency	Percent	Valid percent	Cumulative percent
Valid	0-10%	110	36.7	36.7	36.7
	11-20%	162	54.0	54.0	90.7
	21-30%	27	9.0	9.0	99.7
	41-50%	1	.3	.3	100.0
	Total	300	100.0	100.0	

Interpretation: - The above table show the frequency distribution for saving pattern of respondents. It can be seen that 36.67% of the respondents save 0-10% of their income; 54% of the respondents save between 11-20% of their income; 9% of the respondents save 21-30% of their income; 0.3% of the respondents save 41-50% of their income. Hence, it is concluded that most of respondents save between '11-20% of their income'.

Table 5.2 Awareness about various investment avenues

Are you aware of the various investment avenues?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	247	82.3	82.6	82.6
	No	52	17.3	17.4	100.0
	Total	299	99.7	100.0	

Missing	System	1	.3		
Total		300	100.0		

Interpretation:- The above table show that 82.3% of the respondents were aware of investment avenues while 17.3% were unaware of investment avenues. Hence, it is concluded that most of respondents from Jalgaon district were 'aware of various investment avenues'.

Table 5.3 Savings invested in different avenues

How much of your savings do you invest in different avenues?					
		Frequency	Percent	Valid percent	Cumulative percent
Valid	0-10%	171	57.0	57.6	57.6
	11-20%	118	39.3	39.7	97.3
	21-30%	8	2.7	2.7	100.0
	Total	297	99.0	100.0	
Missing	System	3	1.0		
Total		300	100.0		

Interpretation:- There are lots of investment avenues available to investors viz. Stock market, public provident fund, bank fixed deposit, insurance schemes, mutual fund, real estate, gold, government bond etc. It can be seen that 57.58% of the respondents agree that they invest 0-10% of their savings in different avenues; 39.73% of the respondents invest 11-20% of their savings in different avenues and 2.69% of the respondents invest 21-30% of their savings in different avenues. Hence, it is concluded that most of respondents invest small portion i.e. '0-10% of savings' in different avenues.

The following bar chart show the frequency distribution for preferences of investors for various risk-return trade-off levels as risk is associated with return. It can be seen that 2.01% of the respondents accounted for very low risk- very low return; 45.97% accounted for low risk-low return; 28.86% accounted for moderate risk –moderate return; 7.72% accounted for high risk- high return; 7.38% accounted for very high risk- very high return and 8.05% accounted for least risk- highest annual compounding return. Hence, it can be concluded that most investors prefer 'low risk-low return trade off level'.
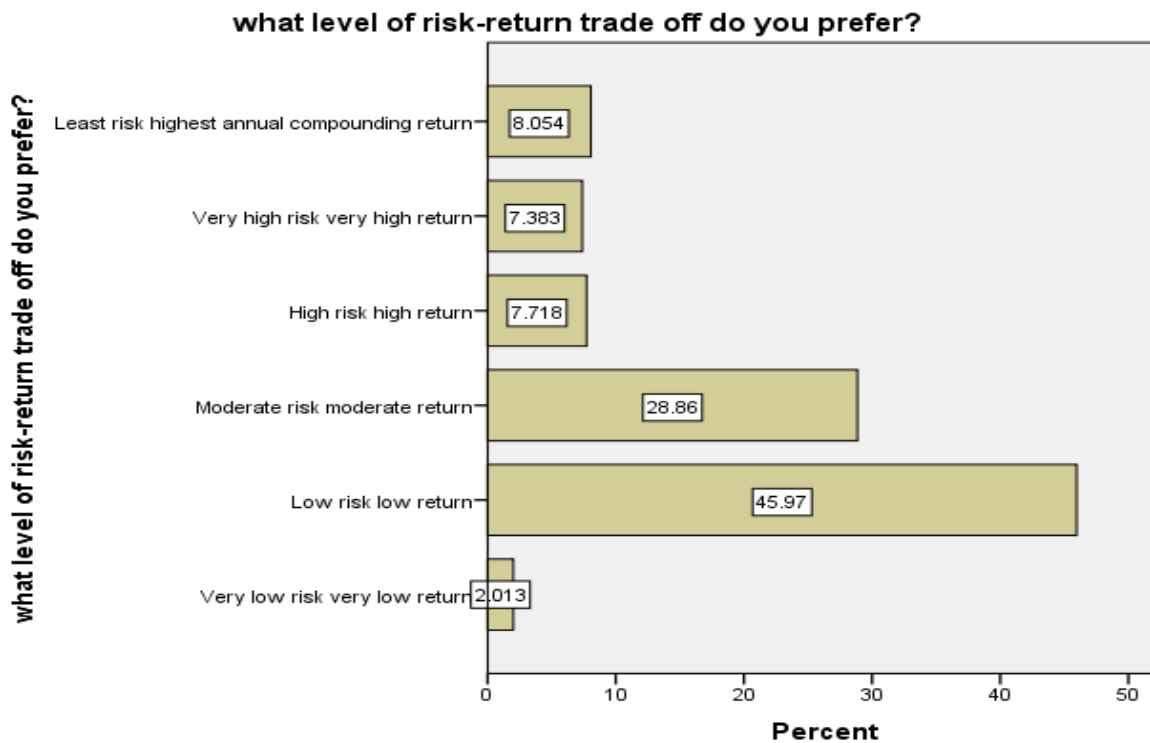
Figure 5.1 Preference for risk-return trade off levels

Table 5.4 Awareness of financial terms, mechanism and aspects of investment

Are you aware of financial terms, mechanism and aspects of investments?		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slightly aware	27	9.0	9.0	9.0
	Moderately aware	85	28.3	28.4	37.5
	Much aware	74	24.7	24.7	62.2
	Extremely aware	113	37.7	37.8	100.0
	Total	299	99.7	100.0	
Missing	System	1	.3		
Total		300	100.0		

Interpretation: it can be concluded that very few investors are aware of financial terms, mechanism and aspects of investment.

Table 5.5 Application of investment knowledge

Do you apply investment knowledge while taking investment decisions?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rarely	1	.3	.3	.3
	Sometimes	102	34.0	34.1	34.4
	Often	20	6.7	6.7	41.1
	Always	176	58.7	58.9	100.0
	Total	299	99.7	100.0	
Missing	System	1	.3		
Total		300	100.0		

Interpretation:- The above table that 0.33% of the investors applied financial knowledge rarely while taking investment decisions; 34.11% of the investors applied investment knowledge sometimes; 6.69% of the investors applied investment knowledge often and 58.86% applied investment knowledge always. Hence, it is concluded that more than half of sample population of investors 'always' applied investment knowledge while taking investment decisions.

Table 5.6 Agreement on financial literacy assist in investment decision

Do you agree that education and financial literacy help in investment decisions and risk tolerance level of investors?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Neither agree nor disagree	1	.3	.3	.7
	Agree	154	51.3	53.3	54.0
	Strongly agree	133	44.3	46.0	100.0
	Total	289	96.3	100.0	
Missing	cannot say	11	3.7		
Total		300	100.0		

Interpretation: it can be concluded that most of investors 'agree' on point that education and financial literacy help in investment decisions and risk-tolerance level.

Hypothesis Testing

Purpose: To know the preferred investment avenues of individual investors.

Investors were offered the following 9 investment avenues. They were further asked to rank each avenue in order of their preferences. Friedman test is used to know most preferred investment avenue of Jalgaon district investors.

	Investment avenues
a	Stock market
b	Public provident fund
c	Fixed deposit
d	Insurance schemes
e	Mutual fund
f	Real estate
g	Gold
h	Government bond
i	Any other investment avenues please specify ....

The following hypotheses were tested:

H0: There is no difference in the importance investors attach to the various investment avenues.
H1: There is significant difference in the importance investors attach to the various investment avenues.

Level of significance: $\alpha = 0.05$

a. Friedman test

Observation:-

$\chi^2 (8) = 149.599$, P= 0.000

Test Statistics[a]

N	22
Chi-Square	149.599
df	8
Asymp. Sig.	.000

Conclusion: - Since the p-value (0.000) is less than the level of significance, the null hypothesis is rejected. Hence it is concluded that there is significant difference in the importance investors attach to the investment avenues. In order to find out where the difference lies, we refer to rank tables.

Table.5.22.1.1 Rank table for preferred investment avenues

Investment avenues	Mean rank
Stock market	5.86
Public provident fund	6.86

Fixed deposit	1.02
Insurance schemes	7.45
Mutual fund	2.18
Real estate	5.45
Gold	3.18
Government bond	4.36
Any other investment avenues please specify	8.61

From the rank tables it can be seen that fixed deposit has the mean rank of 1.02; mutual fund has the mean rank of 2.18; gold has the mean rank of 3.18; government bond has the mean rank of 4.36; real estate has the mean rank of 5.45; stock market has the mean rank of 5.86; public provident fund has the mean rank of 6.86; and insurance scheme has the mean rank of 7.45 and other investment avenues has the mean rank of 8.61. Hence, it can be concluded that the top three most preferred avenues are

1. Fixed deposit
2. Mutual fund
3. Gold.

Purpose: To identify the priorities of objectives of the investment plan given by the individual investors.

The investors were offered the following 8 investment objectives. They were further asked to rank each objective in order of importance. Friedman test is used to know weightage of investment objectives.

	Investment objectives
a	Huge profit
b	Quick earning
c	Liquidity
d	Speculation
e	Safety
f	Tax benefit
g	Periodic return
h	Capital appreciation supplement to income

The following hypotheses were tested:

H0: There is no difference in the importance investors give to the various objectives of investment in the stock market
H1: There is significant difference in the importance investors give to the various objectives of investment in the stock market.

Level of significance: α = 0.05

Test Statistics^a	
N	294
Chi-Square	1535.868
df	7
Asymp. Sig.	.000

a. Friedman test

Observation:-

$\chi^2 (7) = 1535.868$, P = 0.000

Conclusion:- Since p-value (0.000) is less than the level of significance, the null hypothesis is rejected. Hence, it is concluded that there is significant differences in the importance investors give to the various objectives of investing in the stock market. In order to find out where the difference lies, we refer to rank tables.

Table 5.22.1.2 Rank table for priority of objectives of

investment

Investment objectives	Mean rank
Huge profit	1.69
Quick earning	3.44
Liquidity	7.34
Speculation	6.51
Safety	2.04
Tax benefit	4.36
Periodic Return	4.11
Capital appreciation supplement to income	6.51

From the rank tables it can be seen that huge profit has the mean rank of 1.69; safety has the mean rank of 2.04; quick earning has the mean rank of 3.44; periodic return has the mean rank of 4.11; tax benefit has the mean rank of 4.36; speculation and capital appreciation supplement to income has the mean rank of 6.51; liquidity has the mean rank of 7.34. Hence, it can be concluded that the top three most important objectives of investment are:

1. Huge profit
2. Safety
3. Quick earning.

VI. Findings of the study

1. Saving pattern & preferred investment avenues:

    a. Jalgaon district investors keep small portion of income for saving and investment. They save for long-term goals such as emergencies, education and old age.

    b. Most of the Jalgaon district investors are aware of the various investment avenues and mechanism. Bank fixed deposits, mutual fund and gold are their most preferred investment avenues. This indicates that they inclined towards traditional investment avenues.

2. Objectives of investment:

    Huge profit is the first objective in choosing investment alternatives followed by safety and quick earning.

3. Risk –return preference:

    Most investors prefer 'low risk-low return trade off level'; so their preference lies in bank fixed deposit.

4. Financial literacy:-

    It is found that very few investors are aware of financial terms, mechanism and aspects of investment in Jalgaon district.

5. Application of financial knowledge:

    As very few respondents are financial literate and out of them 58.86% applied investment knowledge always. Most of respondents agree that education and financial literacy help in investment decisions and risk tolerance level while taking investment decisions.

VII. Recommendations of the study

1. Knowledge about investment avenues, investment returns and tax benefits :-

Investors should be aware about various investment avenues available to them as well as possible return and tax benefit from various investment avenues.

2. Comparison of return risk tolerance level and holding power of different investment avenues:-

Investors should compare the returns of various investment avenues before making investment as well as they should judge their risk tolerance level and holding capacity for particular investment

3. Awareness programme:-

Professional bodies like SEBI, LIC, NGOs, mutual fund agency, banks and rural development officers, brokers should take investment awareness programme by covering each and every taluka places and other smaller regions at regular intervals to create awareness among investors about financial terms, mechanism and various aspects of investment. The study suggests that insurance companies should create effective communication mechanism to provide insurance cover to rural people. In addition, there is need of initiating awareness programme disseminating information about shares, debentures, bonds and mutual funds so, safer and healthier investment takes place.

4. Financial assistance:-

The government of India and Reserve Bank have emphasized on providing financial services to unbanked areas in order to expand the outreach of banking services and products. The widespread publicity of Financial Inclusion Programme, Prime Minister's Jan Dhan Yojana through electronic and print media have encouraged and motivated people from all strata of the society to get linked with financial market.

5. Mobilization of savings & capital formation:

NABARD sponsored Micro finance programme has good outreach in rural areas. Self-help groups can be instrumental in small savings mobilization and capital formation.

Conclusion

Through the study it is evident that most of respondents from Jalgaon district are aware of various investments avenues. There was significant difference in the importance investors attach to the investment avenues and the various objectives of investing. Investors prefer 'low risk-low return trade off level' that's why they inclined towards bank fixed deposit for investment. Investors emphasize more on huge profit, safety and quick earning rather than periodic return and liquidity.

The present study has important implications for investment managers as it has come out with certain interesting facts of investors' pattern of saving and preferences towards various investment avenues. Investor still prefers to invest in financial products which give risk free returns. In order to speed up the process of deposit mobilization and capital formation in rural economy, financial literacy programme should be implemented with the help of NGOs, banks and rural development officers.

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