

# A Study among Investment Avenues among Salaried Employees

Mr Sanoop Sivaraman  
Assistant Professor  
Department of Commerce  
Sree Ayyapa college , Eramallikara, Chengannur

**Abstract :** An investment is the employment of funds to achieve income and growth in value. It is the allocation of monetary resources to assets that are expected to yield some gain or positive return over a given period. It aims at the increase the money at higher or lower rates depending upon whether it is long term or short term investment and whether it is a risky or risk-free investment. Investment activity involves the creation of assets or exchange of assets with the profit motive. Most of the investments are to consider transfers of financial assets from one person to another. Various investments options are available with the differing risk-reward trade-off. It may involve purchasing an asset, giving a loan or keeping funds in a bank account with the plan of generating future returns

**IndexTerms - Investments-Avenues**

## I. INTRODUCTION

Salaried individuals are those persons who are receiving a regular income are concern about their investment habits. They want to invest their income in avenues where they can earn a return by reducing the risk associated with it. Salaried individuals consist of government employees, private sector working employees. They are receiving a salary for their service are providing. These incomes must be proper utilizing for the benefit of them for future needs. For that, they are investing in various investment avenues where they can increase their return maximum. Since the cost of living is increased day by day to cope up with that one need to invest and earn a return on their idle resources and generate a specific sum of money and make a provision for an uncertain future. Through this study, the awareness level, factors which are affecting them and which investment avenues prefer them most of the salaried peoples are studying here.

## II. STATEMENT OF THE PROBLEM

Today, a wide range of investment avenues is available and not just the traditional tax planning methods like NSC, PPF and other innovative instruments. There are a lot of ways to get involved with these types of investments, but they vary widely in degree of risk and return and are certainly not appropriate or necessary for all investors. As an employee is concerned, the selection of the best saving and investment tool is a complicated process. This paper tries to analyze the employee's awareness level, their factors influencing before investment and their preference in it.

## III. OBJECTIVES OF THE STUDY

1. To know the various investment avenues available for salaried individuals.
2. To study the factors influencing the selection of investment avenues.
3. To find out which investment avenues are mostly preferably salaried individuals.

## IV. HYPOTHESIS

H0:- There is no direct relationship between income and preference of investment avenues.

H1:- There is a direct relationship between income and prefer investment avenues.

## V. METHODOLOGY OF THE STUDY

### 5.1 RESEARCH DESIGN:

A research design is a framework or a plan of study that guides the collection and analysis of data. A good research design starts with a comprehensive problem definition, followed by an estimate of the time required for the research project together with expenses to allocate during the time of research. Various strategies can be allocated for market research – past data may be calculated forward; surveys may be constructed of respondent's attitudes and preferences; focus groups can be

formed; indirect ways such as thematic apperception tests and picture test can be carried out, and a conclusion can be visited at based on derived results.

## 5.2 SAMPLE SIZE

The sample size denotes the number of aspects selected for the research. For the present study, a questionnaire distributed to 110 individuals. Out of 110 individuals, 100 individuals were responded.

## 5.3 DATA COLLECTION:

**PRIMARY DATA:** Primary data are those collected by the researcher himself/herself for the first time, and thus, they are original in character, they are managed for a particular purpose. Combination of non-probability convenience sampling technique and snowball sampling will be utilised for collecting the data from different investors. The salaried people are selected by the convenience sampling method. The selection of unit from the population base on their easy availability and accessibility to the researcher is known as sampling. Information is collected by surveying by distributing a questionnaire to 100 salaried people. These 100 salaried are of different age group, different occupation, different income level and different qualification.

**SECONDARY DATA:** Secondary data are those, which have already been collected by some other person for their purpose. Secondary data are usually in shape of the finished product.

## 5.4 SCOPE OF THE STUDY

It is based upon investor's pattern for investment preferences, awareness and the factors which are influencing while investing. It would be focusing on the information from the salaried people about their knowledge, perception and behaviour on different financial products. There may be chances that the awareness, factors consider for an investment, preference of those peoples are different nature are varied due to diversity in social life, living pattern, income level etc. that need to be studied further.

## 5.5 INVESTMENT AVENUES

There are a large number of investment avenues for savers in India. Some of them are marketable and liquid, while others are non-marketable. Some of them are highly risky, while some others are almost riskless. The investor has to choose proper avenues from among them depending on his preferences, needs and ability to assume the risk.

The investment avenues can be broadly categorised under the following heads:

1. Corporate securities.
2. Deposits in banks and non-banking companies.
3. UTI and other mutual fund schemes.
4. Post office deposits and certificates.
5. Life insurance policies.
6. Derivatives.
7. Money market instruments.
8. Provident fund schemes.
9. National saving certificate.
10. Government and semi-government securities.
11. Equity linkage saving scheme.
12. National pension scheme.
13. Exchange traded fund.
14. Real estate.

15. Gold.

Let us discuss the essential investment avenues available to savers in India.

#### Corporate securities

Corporate securities are the securities issued by joint stock companies in the private sector. These include equity shares, preference shares and debentures. Equity shares have variable dividend and hence belong to the high risk- high return category, while preference shares and debentures have fixed returns with lower risk.

Equity is one of the riskiest areas. But, at the same time, this is also a place where an investor can earn high rates of returns that will push up the profits of the entire portfolio. There is a need for the investor to separate speculation from the investment. Investment in equities can be made directly by the purchase of shares from the market, or it can be done through the mutual fund route, whereby the investor buys the mutual fund units and the fund, in turn, buys equity shares for its portfolio. There are various benefits as well as risks associated with both these routes, and it is up to the individual to make up his mind.

Debt is a route that most people will know and have the necessary experience. There is a wide range of debt instruments that are present from bank fixed deposits to company fixed deposits. Debt is simple as the investor will earn at a fixed percentage of the investment, which will then be declared to the investor at the time of maturity or redemption of the investment.

#### Deposits

Among the non-corporate investments, the most popular are deposits with banks such as savings accounts and fixed deposits. Savings deposits have low-interest rates, whereas fixed deposits have higher interest rates varying with the period of maturity. Interest is payable quarterly or half-yearly. Fixed deposits may also be recurring deposits wherein savings are deposited at regular intervals. Some banks have reinvestment plans wherein the interest is reinvested as it gets accrued. The principal and accumulated benefits are paid on maturity.

Joint stock companies also accept fixed deposits from the public. The maturity period varies from three to five years. Fixed deposits in companies have high risk since they are unsecured, but they promise higher returns than bank deposits.

Fixed deposit in Non-Banking Financial Companies (NBFCs) is another investment avenue open to savers. NBFCs include leasing companies, hire purchase companies, investment companies, chit funds, etc. Deposits in NBFCs carry higher returns with higher risk compared to bank deposits.

#### Unit Trust of India (UTI) and other Mutual Fund Schemes

Mutual funds offer various investment schemes to investors. UTI is the oldest and the largest mutual fund in the country. Unit Scheme 1964, Unit Linked Insurance Plan 1971, Master Share, Master Equity Plan, Master gain, etc., are some of the popular schemes of UTI. Several commercial banks and financial institutions have set up mutual funds. Recently mutual funds have been set up in the private sector also.

#### Post Office Deposit and Certificate

The investment avenues provided by post offices are generally non-marketable. Moreover, the significant investments in post office enjoy tax concessions also. Post offices accept savings deposits as well as fixed deposits from the public. There is also a recurring deposit scheme which is an instrument of regular monthly savings.

The post office issues Six-year National Saving Certificates (NSC) to investors. The interest on the amount invested is compounded half-yearly and is payable along with the principal at the time of maturity, which is six years from the date of issue.

Indira Vikas Patra and Kisan Vikas Patra are savings certificates issued by post offices.

#### Life Insurance Policies

The Life Insurance Corporation (LIC) offers many investment schemes to investors. These schemes have the additional facility of life insurance cover. Some of the projects of LIC are Whole Life Policies, Convertible Whole Life Assurance Policies, Endowment Assurance Policies, Jeevan Saathi, Money Back Plan, Jeevan Dhara, Marriage Endowment Plan, etc.

## Derivatives

Derivatives are financial instruments whose value is linked to the price of the underlying instrument in the stock market. In other words, it is a contract which derives its value from prices or index of values of the underlying securities. These are four main types of derivatives traded today, which are forward, futures, and options and swap transactions.

## Money Market Instruments

Money market instruments which meet the short term requirements of the borrowers and provide liquidity or cash to lenders. These instruments are having a maturity period of one year. There are several money market instruments which are available in India such as treasury bills, call/notice money, commercial invoices, money market mutual funds, etc....

## Provident Fund Schemes

Provident fund schemes are compulsory deposit schemes applicable to employees in the public and private sectors. There are three kinds of provident funds suitable to different segments of employment, namely Statutory Provident Fund, Recognised Provident Fund and Unrecognized Provident Fund.

In addition to these, there is a voluntary provident fund scheme which is open to any investor whether employed or not. This is known as the Public Provident Fund (PPF). Any member of the public can join the scheme which is operated by the post offices and the State Bank of India.

## National Saving Certificate (NSC)

NSC is a fixed interest, long term instrument for investment. NSC is guaranteed by the Department of Post, Government of India. Since the Government of India backs them, NSCs are a practically risk-free avenue of investment. They can be bought from authorized post offices. NSCs have a maturity of 6 years. They offer a rate of return of 8% per annum. This interest is calculated every six months and is associated with the principal. That is, the interest is reinvested, and is discharged along with the principal at the time of maturity.

According to NSCs qualify for investment under Section 80C of the Income Tax Act (IT Act). Even interest earned every year qualifies under Sec 80C up to Rs. 1 Lakh, are deductible from the income of the investors. There is no tax deductible at source (TDS).

## Equity Linkage Saving Scheme

Equity Linkage Saving Scheme (ELSS) is one of the most popular Sec 80C investments wherein investors enjoy the benefits of capital increment and tax benefits as well. In simple term, ELSS is a beneficial form of investment in which a person can invest 65% in equity related instruments that are liable to get the tax benefits. Investment in such ELSS MFs will offer a tax benefit to investor's u/s 80C, which is limited to a maximum of Rs 1 Lakh. There is a moderately lesser risk in ELSS. It has only a 3-year lock-in period that is lesser as compared to other 80C investments. In the last five years, ELSS funds have had a standard 18% p.a. Return.

## Government and Semi-Government Securities

The government and semi-government bodies like the public sector undertakings borrow money from the public through the issue of government securities and public sector bonds. These are less risky avenues of investment because of the credibility of the government and government undertakings.

## National Pension Scheme

NPS provides a wide range of investment options and choice of Pension Fund Manager (PFMs) for planning the growth of your investments in a sensible manner where you can also see the growth of your money. Under the same, a person can change from one investment choice to another or from one fund manager to another. The returns are fully market-related. NPS offers faultless portability across jobs and beyond locations, unlike all current pension plans. It will allow hassle-free arrangement for the individual subscribers. It is regulated by PFRDA, with actual investment rules, regular monitoring and performance review of fund managers by NPS Trust.

## Exchange Traded Funds

It is a form of investment fund traded on stock exchanges. This form of investment holds assets such as stocks, commodities, or bonds and trades close to its net asset value over the trading day. Mostly, ETFs track an index, such as the stock index or

bond index. ETFs are traditional investments due to their low costs, tax efficiency and stock-like features. It started in the late 1980s and rapidly gained fame as investors started looking for options apart from mutual funds. Investors can easily see the benefit of holding a specific group of stocks with lower management fees and much more benefits.

#### Real estate

Investment in real estate also made when the expected returns are attractive. Buying property is an equally effective investment decision. Real estate investment is normally linked with the future development plans of the location. At present investment in real estate is booming there are various investment source is available for property which is directly or indirectly investing real estate. In addition to this, the more affluent investors are likely to be interested in another type of real estate, like commercial property, agricultural land, semi-urban land and resorts. The bullion offers an investment opportunity in the form of gold, silver, art objects (paintings, antiques), precious stones and other metals (precious objects), specific categories of metals are exchanged in the metal exchange.

#### Gold

Gold has got a lot of emotional value than the monetary value in India. India is the largest consumer of gold in the world. In western countries, you can find most of their gold in their central banks. But in India, we use gold mainly as jewels. If you look at gold in a business sense, you will understand that gold is one of the all-time best investment tools.

#### Need for investment for salaried individuals

It is true that finances represents a vital role in our life, but how to handle it properly is more important. Fundamentally, an investment for a salaried person is a tool for creating wealth and fulfilling future needs as well. It allows you to meet your life goals quickly with the help of careful management of money and finances. It is mentioned that managing money sensibly is the first step towards better investment goals.

Expense management is a matter of getting the appropriate returns for every rupee to spend and suitable decisions on the payment mode that is cash, cheque, credit card or Equated Monthly Installments (EMIs). For a salaried person, financial planning is a critical thing. The reason behind the same is the limited and fixed flow of income. For complete financial independence, a person has to be proactive in taking steps for the same. It is necessary to understand the saving and spending patterns before investing. A person has to fill the gaps by spending prudently for the object of consumption and saving. One of the significant advantages of a salaried person is the regular flow of income. It can be chosen as a tool for systematic investments for the achievement of financial goals. Another advantage for a salaried person is the risk coverage that is offered by employers, which may include life insurance and health insurance. However, it is suggested that one has his own personal insurance cover rather than depending only on risk covers allowed by employers as the contract of risk cover would stop when the employment contract comes to an end.

## VI. CONCLUSION

The study on investment pattern of salaried individuals has remained offered with the relevant objectives such as to find the awareness level of investors, factors influencing while financing and to achieve the preferred investment avenue. Analysis of the study was engaged with the help of the survey conducted. After the analysis and interpretation of data, it is concluded that investors are aware of investment avenues available in India, but still, investors are preferred to invest in bank deposit, insurance, PPF and NSC. The data analysis reveals that safety is a crucial factor while preparing investment, so remaining avenues are less considerable while investing by the investors.

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