

# A STUDY ON SAVING AND INVESTMENT PATTERN OF COLLEGE TEACHERS- BANGALORE

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## ABSTRACT

Investment is an activity that is engaged in by people who have savings. But all savers are not investors. It involves commitment of resources that have been saved in the hope that some benefits will accrue in future. People are earning more, but they do not know where, when, and how to invest it. A proper understanding of money, its value, the available avenues for investment, various financial institutions, the rate and risk etc., are essential to successfully manage one's finance for achieving life's goal. The study discusses about the marital status and other factors influencing the investment behaviour of college teachers towards different investment avenues with special reference to college in Bangalore. The results highlight that certain factors like education level, awareness about the current financial system, age of investors etc., make significant impact while deciding the investment avenues. The study is based on personal interviews with college teachers, using a structured Questionnaire. The study is based on primary sources of data which are collected by distribution of questionnaire. The data has been analyzed using percentage analysis with the help of statistical software. There are large number of investment opportunities available today. This research study is an attempt to analyse the savings and investment pattern of the college teachers and briefly examine how the college teachers managing their investment. They feel that with the uncertain future savings in different forms help the rest family members in peace.

**Keywords:** Investment, Investment behaviour, Investment Avenues, Economical development.

## INTRODUCTION

People earning is high or low or in some cases it is nil. But the Indian heritage and Indian culture forces them to go for savings. 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 investment is necessary to survive. Investment means to put aside a portion of income deferring its consumption until a future date. The extent to which individual save or invest is affected by their preference for future over present consumption, their expectations of future income and to some extent by the rate of interest. Savings also plays a vital role in building up the household economy as well as national economy. Savings provide the financial security to the savers. Hence, attractive investment devices are very much necessary to increase and channel the savings and investment 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 Certificate, Government Bonds and Securities carrying high rate of interest.

## SAVING

Savings refers to the amount of money which is kept aside from the current income for future use. People able to save money by keeping a part from their revenue every month and this is possible by cutting the unwanted expenditure, generating higher income and by doing the both. The need for savings is to meet future expenses, to meet unexpected contingencies or emergencies, to raise our standard of living, to generate future income, also helps the nation to improve the economic development etc.,

## INVESTMENT

Employment of current funds to earn benefits or securing growth in the future can be termed as investment. It is sacrifice from current income to gain returns at a later stage. Investment should be done to yield more return than rate of inflation. The current income of an individual can be put aside for two things – either consumption or savings. The money once consumed is gone forever, whereas the savings bears fruit. Major element of any investment is time and

risk. It purely depends upon individual capacity to give importance to either of the two elements, on the basis of one's needs.

## INVESTMENT BEHAVIOUR

Investment behaviour refers to the attitude, perception and willingness of the individuals and institutions while placing their savings in various types of financial assets. An investor is a person who sacrifices the present in order to reap the benefits for the future. The benefit may be in the form of capital appreciation, income in the form of dividends, bonus, retirement benefits and many other benefits. Generally investor's objectives would be one among the following

- To minimize the risk
- To maximize the returns
- To hedge against inflation
- Liquidity

## NEEDS OF WEALTHY INVESTORS

Wealthy investors being aware of the emerging investment opportunities use sophisticated investment strategies such as

- Leveraging on the professional advisors' capability to analyse market trends and make appropriate investment.
- Searching for innovative products to enhance value
- Diversifying across various types of assets
- Investing across emerging geographies
- Consolidating financial information and assets.
- Young, educated and knowledgeable
- Smart looking for the best deal
- Willing to take risk
- Well informed about global trends
- Seeks information from various sources

## SIGNIFICANCE OF SAVING

To attain economic development for the comfortable life of people and for financial organizations, saving is very important and an essential one. Regarding the decisions to save, the main motives behind savings seems to be the following

- Provisions for a future period, when income is expected to be less or the need for expenditure.
- Provisions against unpredictable decline in income.
- Acquisition of higher income either by improving business or by obtaining interest, dividends, rent or other property income.
- Gain in social status by acquiring property.

## FOR ECONOMIC DEVELOPMENT

Saving leads to increase in the national income of a country by increasing the level of investment. To attain economic development, the national income of a country should be high. Savings are vital to the development of an economy. An increase in private savings helps to keep the economy in equilibrium by releasing resources for exports and for additional investment, both at home and overseas.

## FOR PEOPLE

The future is an unpredictable one, so in order to get the future requirements of money, saving is essential. This is possible only, when they keep their money in banks or in financial organizations. The requirements may be in the form of unavoidable expenses, medical expenses, expenses for social functions, educational and marriage expenses and so on. Without saving, an ordinary man cannot cover all these expenses at a time. They need not allocate large amount of their income, but they should allocate a small portion of income regularly. There are number of ways to save money.

## FOR INVESTMENT

Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, and grade. An investment decision is a trade between risk and return. All investment choices are made at points of time in accordance with the personal investment ends and in

contemplation of an uncertain future. In order to invest successfully, one should have an investment and personal investment objectives like having a home, creating a regular income after retirement, possessing money for the marriage of one's children and the likes. It must also be ensured that the purchasing power of the money saved is not less than its present purchasing power.

## FOR THE BANKERS

The Amount deposited by the public and business concerns in banks also get converted into investments or savings. The saving is created in the form of various deposits of accounts in the banks. Thus, these investments are indirectly helpful to increase the national income. Moreover, the savings will be helpful to create smooth functioning or circulation of money. i.e., the deposits which are made by the public are used for lending. This loan may be helpful to the entrepreneurs to start a new business or expand their business. By this way, the bank can also earn reasonable profit in the form of interest, which is paid by the customer. So, banks are trying to get the money from those who are having surplus and give it to those who are in need. Thus, banks are acting intermediary between the low income group and high income group. This is more useful for the balance of regional development.

## AVAILABLE INVESTMENT OPTIONS

There are large number of investment instruments available today to make our lives easier. 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 their specific need, risk preference and return expected. Investment avenues can broadly categories under the following heads.

- ✓ Equity
- ✓ Bank Fixed Deposit
- ✓ Company Fixed Deposit
- ✓ Corporate Debenture
- ✓ Public Provident Fund
- ✓ Post Office – NSC
- ✓ Life Insurance
- ✓ Mutual Fund
- ✓ Real Estate
- ✓ Gold/Silver

## EQUITY

Equity is one of the most risky 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 returns of the entire portfolio. There is a need for the investor to separate the 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 upto the individual to make up his mind.

## BANK FIXED DEPOSIT

Fixed deposits with banks are also referred to as term deposits. Minimum investment period for the bank FDs is 30 days. Deposits in banks are very safe because of the regulations of RBI and the guarantee provided by the deposit insurance corporation. The interest rate on fixed deposits varies with term of the deposits. Bank deposits enjoy exceptionally high liquidity. Loan can raised against bank deposits.

## COMPANY FIXED DEPOSIT

Company fixed deposit is the deposit placed by investors with companies for a fixed term carrying a prescribed rate of interest. Company FDs are primarily meant for conservative investors who don't wish to take the risk of vagaries of the stock market.

## CORPORATE DEBENTURE

Corporate debentures are normally backed by the reputation and general creditworthiness of the issuing company. It is a type of debt instrument that is not covered by the security of physical assets or collateral. Debentures are a

method of raising credit for the company and although the money thus raised is considered a part of the company's capital structure, it is not part of the share capital.

### **PUBLIC PROVIDENT FUND [PPF]**

A long term saving instrument with a maturity of 15 years, A PPF account can be opened through a nationalized bank at anytime during the year and is open all through the year for depositing money. Tax benefits can be availed for the amount invested and interest accrued is tax free. A withdrawal is permissible every year from the seventh financial year of the date of opening of the account.

### **POST OFFICE SAVINGS**

Post office monthly income scheme is a low risk saving instrument, which can be availed through any post office. The interest rate on deposits is slightly higher than banks. The interest is calculated half yearly and paid yearly.

### **LIFE INSURANCE POLICIES**

Insurance companies offer many investment schemes to investors. These schemes promote savings and additionally provide insurance cover. LIC is the largest insurance company in India.

Some of the schemes are

- Life policies
- Endowment assurance policy
- Money back policy
- Unit link plan
- Term assurance
- Jeevan saathi
- Convertible whole life assurance policy
- Deferred annuity etc.

Insurance policies while catering to the risk compensation to be faced in the future by investor, also have the advantage of earning a reasonable interest on their investment insurance premiums.

### **MUTUAL FUND**

This is an emerging area for investment and there is a large variety of schemes in the market to suit the requirements of a large number of people. In finance, in general, you can think of equity as ownership in any asset after all debts associated with that asset are paid off. For example, a car or house with no outstanding debt is considered the owner's equity because he or she can readily sell them for cash. Stocks are equity because they represent ownership in a company.

### **REAL ESTATE**

Investment in real estate also made when the expected returns are very attractive, buying property is an equally strenuous investment decisions. Real estate investment is often linked with the future development plans of the location. At present investment in real assets is booming there are various investment sources available for investment which are directly or indirectly investing real estate. In addition to this, the more affluent investors are likely to be interested in other types of real estate, like commercial property, agricultural land, semi urban land and resorts.

### **GOLD / SILVER**

The bullion offers investment opportunity in the form of gold, silver, art objects (Paintings, Antiques) precious stones and other metals, specific categories of metals are traded in the metal exchange.

### **OBJECTIVE OF THE STUDY**

- To learn the savings pattern of college teachers in Bangalore.
- To identify the preferred investment avenue of college teachers
- To know the mode of investment of the college teachers

## STATEMENT OF THE PROBLEM

Economic development of the country depends on its savings potential and investment capacity. Savings potential and savings patterns depends on the individual spending patterns and attitude towards investment. Investment behaviour and attitude of the investors depends on awareness, availability and accessibility of the investment avenues. To avoid the idle money, to meet their future demand, the staffs, workers, businessmen and government employees can make an attempt to save. They save money to remove the financial risk and to meet the financial requirements of the future. The future requirements of money cannot be predicted very correctly. To enjoy the benefit, to safeguard money and to maintain the regular activity, everyone should save. Hence, in this study, an attempt is made to analyze the savings and investment pattern of college teachers in Bangalore.

## PROFILE OF THE STUDY AREA

There are nearly 473 affiliated college, 41 Post Graduate Departments and Directorate of Higher learning under Bangalore University. For the Purpose of study 5 colleges were selected and 100 college teacher from this colleges were randomly selected. In Bangalore, there is a vast scope for savings and investment due to the large number of government employees, businessmen, SHG, small scale entrepreneurs. The circulation of money among the people is high than that of other near places like Mangalore, Hassan, Tumkur etc.,

## RESEARCH METHODOLOGY

The study is descriptive in nature. The methodology of the present study is outlined here under.

## POPULATION

Population for selecting sampling units of the study includes the college teachers-Bangalore.

## SAMPLING TECHNIQUE

Bangalore is the geographical region selected for conducting the research work. The technique used is “convenient sampling method”. The sample size is 100.

## SOURCE AND TOOL OF DATA COLLECTION

The source of data collection is primary in nature. For collecting data from the sample respondents, the questionnaire was used.

## ANALYSIS AND INTERPRETATION

Simple percentage analysis was used to analyses the collected data. It states the frequency and percentage of the profile, attitude and opinion regarding the people.

## PERCENTAGE ANALYSIS

Percentage method refers to a specified kind which is used making comparison between two Or more series of data. Percentages are based on descriptive relationship. It compares the relative items. Since the percentage reduces everything to a common base and thereby allow meaning comparison.

Number of Respondents

Percentage =  $\frac{\text{Number of Respondents}}{\text{Total number of Respondents}} \times 100$

Total number of Respondents

## ANALYSIS OF INVESTMENT PATTERN

The analysis is based on the study made on 100 teachers (out of which 66% is male and 34% female and 64% is married and rest are single, majority of the respondents lies between 41-45 age group.) from 5 different colleges in Bangalore. From the analysis it is inferred that 30% of the respondents preferred insurance due to its safety and tax benefits, 21% of the respondents prefer Bank deposits. Very least (5%) only invest in Mutual funds, 40 % of respondents“ saving purpose is tax benefits, next 22% people save money for building home, 21% respondents save to meet their future requirements and 5% of respondents“ saving purpose is for marriage and wealth creation.

Variable	Respondents	%
<b>Gender</b>		
Male	66	66
Female	34	34

<b>Age</b>		
Below35	08	08
36-40	26	26
41-45	46	46
46-50	12	12
Above 50	08	08
<b>Marital Status</b>		
Married	64	64
Single	36	36
<b>Bank Deposit</b>	30	30
Post Office	14	14
Life Insurance	22	22
Mutual Fund	04	04
Real Estate/Gold	18	18
Shares	12	12
<b>Annual Savings</b>		
Below Rs.50000	85	85
Rs.50000 – Rs.100000	15	15
<b>Purpose Of Savings</b>		
Children Education	12	12
Marriage Purpose	05	05
Building House	22	22
Future Needs	21	21
Tax Benefit	40	40
<b>Preference</b>		
Insurance	30	30
Post office	17	17
Bank Deposit	21	21
Shares	07	07
Mutual fund	05	05
Real Estate/Gold	20	20

## SUGGESTIONS

Based on the study would like to offer few suggestions and recommendations. They are

- ✓ To enhance the saving habits, the saving mode must attract the people by providing many offers or attractive prices.
- ✓ The absence of saving or investment habits is fear of insecurity on return. This hurdle can be removed by give assurance for the repayment of the deposited money.
- ✓ The person who want to invest in shares should read newspaper, journals and other publications on investment matters and also deal only with registered members of recognized stock exchanges, in place where there are no stock exchanges, they may deal with sub\_brokers who have connections with registered brokers.

## CONCLUSION

This study is undertaken with the objective, to analyze the investment preference of college teachers. After analysis and interpretation of data it is concluded that most respondents are not much aware of the various investment choices ,they are not much aware about stock market, equity, bound and debentures. The study is conducted by taking a limited number of sample sizes which is stated earlier. And this study reflects the exceptions of those respondents who are residing in Bangalore .There might be a chance that the perceptions of the different respondents are varied due to diversity in social life, living pattern.