

INVESTMENT AVENUES: ASSESSMENT OF AWARENESS AMONG IT EMPLOYEES

¹Dr.M Shanthini Devi, ²Dr.S Arunpriya

¹Assistant Professor, Dr. N.G.P. Arts & Science College, Department of Commerce CA, Coimbatore, India.

²Assistant Professor, Dr. N.G.P. Arts & Science College, Department of Commerce CA, Coimbatore, India.

ABSTRACT

Investments are vital as it improves the individuals wellbeing and also the country economic growth. Investment is allocating of funds towards various investment avenues which is actually saved from present earnings to get good paybacks in future. Investing helps to increase the wealth as well as income. So the hard earned money should be properly saved and smartly invested to get good returns out of it. But investing smartly becomes difficult as investors have wide range of investment products to invest where some are conventional while some are contemporary. So an attempt is made to study the different investment avenues available and the awareness level among IT employees and their allocation of funds towards physical as well as financial assets.

Keywords: Allocation, Conventional, Economic growth, Investment, Wealth.

1.Introduction

The secular uptrend in economic growth and development in India is associated with the consistent increase in the domestic savings and investment and this has been the trend over the decades after independence. But, the gross domestic savings rate in India fell sharply from 33 percent to 30.1 percent of the GDP between 2003 and 2008, with the similar drop again during 2012-13. This is attributed to two reasons - one being the high inflation, owing to which, the household savings plunged, and the other being the household savings rate remaining stagnant or even deteriorating as the financial obligations increased with greater retail credit penetration. The household sector savings can be made in financial assets or physical assets. Since liberalization of Indian economy in 1991, the share of household saving in the financial assets reduced from 58.79 percent in 1991-92 to 32.42 percent in 2012-2013. On the contrary, household savings in physical assets increased from 41.21 percent in 1991-92 to 67.58 percent by the end of the financial year 2013, as per the CSO report, 2013. This trend indicates to study the awareness level towards all investment avenues specifically among the information technology sector employees as their earning are high and chance of saving and investment are more.

2.Statement of the Problem

According to Monster Salary Index (2016) the highest paid sector in India is IT sector. Higher earning has given more opportunity for augmented savings and investment. But the financial demands are rising, every day, in the Indian families, and the increased cost of living is making it constrained for the individual to save and invest. However, the need for the future is inevitable for both self and family, which

force majority of the IT employees to invest either in physical assets or in financial assets. Due to dynamic changes in the financial landscape, the range and complexity of financial products continue to increase day by day which makes it difficult for the individual to choose and invest in suitable financial products. So this study aims to understand the investment avenues awareness level and their allocation of funds towards various assets among the IT employees in Coimbatore City.

3.Objectives of the study

- 1.To identify the level of awareness towards investment avenues of IT employees.
- 2.To study the allocation of funds made by the IT employees.

4.Research Methodology

The research design adopted is descriptive. The study relies on both the primary and secondary sources of data. The primary data has been collected from 756 employees who are working in IT sector of two SEZs namely Elcot SEZ and Chil SEZ which is located in Coimbatore city with the help of Structured questionnaire. The sources of secondary data include books, journal articles, various unpublished reports, doctoral thesis of various institutions, etc. To fulfill the study objectives the statistical tools such as Percentage Analysis, Weighted Average and Garrett Ranking is used.

5.Results and Discussion

5.1 :Results Awareness towards Investment avenues

Financial market and financial products becomes complicated because of emergence of new products with advanced concepts, more terms and conditions and complex procedure. In India savings rate is high, but amount has not investment properly in various avenues as the awareness is low. If the awareness is low then the investor will not be in a position to choose the financial products based on their risk and return. So the results of awareness are identified based on safe, moderate, high, traditional and emerging avenues which are provided in the table 5.1.

Table 5.1: Weighted Mean -Awareness towards Investment Avenues

Investment Avenues	Least Aware	Slightly Aware	Some-what Awar	Mode-rately Awar	Highly Aware	Wtd. Mean	Rank
Safe Risk Avenue							
Savings Account	50	98	114	148	346	3.849	1
	0.066	0.259	0.452	0.783	2.288		
Bank Fixed deposits	48	100	188	146	274	3.659	2
	0.063	0.265	0.746	0.772	1.812		
PPF	248	106	142	128	132	2.722	4
	0.328	0.280	0.563	0.677	0.873		
Post Office Savings	127	112	213	140	164	3.135	3
	0.168	0.296	0.845	0.741	1.085		
Government Securities	272	150	176	92	66	2.378	5
	0.360	0.397	0.698	0.487	0.437		
Moderate Risk Avenue							
Life Insurance	116	147	197	164	132	3.065	1
	0.153	0.389	0.782	0.868	0.873		

Debentures	118	140	222	148	128	2.702	3
	0.156	0.370	0.881	0.783	0.847		
Mutual funds	205	143	190	108	110	3.037	2
	0.271	0.378	0.754	0.571	0.728		
Corporate Bonds	289	146	162	78	81	2.360	4
	0.382	0.386	0.643	0.413	0.536		
High Risk Avenue							
Equity Market	447	131	116	48	14	4.255	1
	2.956	0.693	0.460	0.127	0.019		
Commodity market	368	154	136	70	28	4.011	2
	2.434	0.815	0.540	0.185	0.037		
FOREX market	351	189	120	52	44	3.993	3
	2.321	1.000	0.476	0.138	0.058		
Traditional Avenue							
NSC	56	70	124	194	312	3.841	2
	0.074	0.185	0.492	1.026	2.063		
Real Estates	34	132	170	157	263	3.639	4
	0.045	0.349	0.675	0.831	1.739		
Gold & Silver	34	92	108	173	349	3.940	1
	0.045	0.243	0.429	0.915	2.308		
Chit funds	52	84	170	164	286	3.725	3
	0.069	0.222	0.675	0.868	1.892		
Emerging Avenues							
Gold Monetisation Scheme	38	54	113	124	427	4.122	3
	0.050	0.143	0.448	0.656	2.824		
Sukanya Samridhi Account	50	48	96	152	410	4.090	4
	0.066	0.127	0.381	0.804	2.712		
Gold Coins with Ashok Chakra	32	36	110	149	429	4.200	2
	0.042	0.095	0.437	0.788	2.837		
Pension fund	40	52	138	176	350	3.984	6
	0.053	0.138	0.548	0.931	2.315		
Ponmagal Podhuvaippu Nidhi Scheme	44	44	144	125	399	4.046	5
	0.058	0.116	0.571	0.661	2.639		
Gold Bonds	32	34	114	102	474	4.259	1
	0.042	0.090	0.452	0.540	3.135		
Gold ETF	99	122	171	188	176	3.291	7
	0.131	0.323	0.679	0.995	1.164		

Source: Computed from Primary Data

From the above table it is clear that among the safe risk avenue ,the first rank was for the Savings Account, followed by Bank Fixed Deposits. The next attribute is Moderate Risk Avenue for which the perception of the respondents was highest for Life Insurance followed by Mutual Funds. Third attribute is the high risk avenue in that highest rating was for Equity Market, followed by Commodity market. Fourth attribute is the traditional investment avenue for which the rating of the respondents was found to be high with regard to Gold and Silver, followed by NSC. The last attribute measured was the emerging avenue and it showed that the perception of the respondents was found to be higher with respect to Gold Bonds followed by Gold Coins with Ashok Chakra.

5.2: Results of Source of Information

There are various source of information to gather data to take financial decision by an individual. The following table gives the possible source of information which can guide the IT employees to take decisions to invest in wise manner. Their preference towards source of information used for investment is analyzed using Garrett Ranking.

Table 5.2: Garrett Ranking towards Source of Information preferred to take Financial Decisions

Source of Information	Garrett Score	Garrett Mean	Garrett Rank
Information from Electronic Media, Newspapers, Apps and Website	52431.67	69.35	1
Existing Investors, Friends and Relatives	37061.73	49.02	3
Licensed Stock Brokers and Certified financial advisor (FPSB)	44913.3	59.41	2
Literacy through Credit Counseling Centres (RBI/Banks)	28209.6	37.31	6
Rating Agencies Reports	32592.63	43.11	4
Live Investing Workshop	31565.87	41.75	5

Source: Primary data

Based on the rating of the respondents with respect to source of information preferred to take Financial Decisions was done with Garrett Ranking Method which shows the highest rank was for the statement "Information from Electronic Media, Newspapers, Apps and Website" with the mean score of 69.35, followed by "Licensed Stock Brokers and Certified financial advisor (FPSB)" with the mean of 59.41. Finally, the least rank was for the statement "Literacy through Credit Counseling Centres (RBI/Banks)" with the mean of 37.31.

5.3: Results of Opinion on Investment Activities

The study classified different attributes which are contributing variables that have significant practical activities performed by the IT employees in their investment settings that are classified based on the Type of Investor, Segment of Investment, Percentage of Income used for Investment, Frequency of Investment, Expected return on investment and Time Horizon of Investment which are analyzed and the results are provided hereunder.

Table 5.3 : Opinion on Investment Activities of IT employees

S.No.	Attributes	Number of Respondents	Percentage
1.	Type of Investor		
	Short Term Investor	324	42.9
	Long Term Investor	216	28.6
	Both	216	28.6
2.	Segment of Investment		
	Public sector	294	38.9
	Private Sector	230	30.4
	Both	232	30.7
3.	Percentage of income used for Investment		
	Upto 20%	361	47.8
	21 to 30%	276	36.5
	31 to 40%	70	9.3
	41 to 50%	45	6.0
	Above 50%	4	.5
4.	Frequency of Investment		
	Monthly	236	31.2
	Quarterly	223	29.5
	Half Yearly	121	16.0
	Annually	176	23.3
5.	Expected Return on Investment		
	5 to 10%	126	16.7
	10 to 20%	234	31.0
	20% to 30%	246	32.5
	30% to 40%	110	14.6
	Above 40%	40	5.3
6.	Time Horizon of Investment		
	Below 3 years	17	23
	3 to 5 years	30	40
	5 to 10 years	19	25
	Above 10 years	80	10

Source: Computed from primary data

From the study it is clear that maximum (42.9%) of the respondents are Short Term Investors, while 28.6% of the respondents are long term investors and another 28.6% of the respondents are both short and long term investors respectively. It is understood that maximum (38.9%) of the respondents are investing in public sector, while 30.7% of the respondents are investing in public and private sector and the remaining 30.4% of the respondents are investing in private sector. It is evident from the study that less than half (47.8%) of the respondents invest upto 20%, out of their income followed by 36.5% of the respondents invest from 21% to 30%, 9.3% of the respondents invest between 31% and 40%, while, 6% of the respondents invest from 41 to 50% and the remaining 0.5% of the respondents invest above 50% out of their income.

It is clear that maximum (31.2%) of the respondents involved investing on a monthly frequency, while 29.5% of the respondents are investing on a quarterly frequency, 23.3% of the respondents are investing on an annual basis and the remaining 16% of the respondents are investing on a half yearly basis. It is evident from the study that maximum (32.5%) of the respondents expected 20% to 30% of returns of their investment, 31% of the respondents expected to realize 10% to 20% of their investment, 16.7% of the respondents expected 5% to 10%, while 14.6% of the respondents figure out 30% to 40% of the Return on Investment and the remaining 5.3% of the respondents may achieve above 40% of the return on their investment.

It is understood that the maximum (40.6%) of the respondents stated that their investment tenure was between 3 to 5 years period, while 25.4% of the respondents considered 5 to 10 years time horizon for their investments, 23.4% of the respondents invested in below 3 years period tenure and the remaining 10.6% of the respondents mentioned long time tenure (above 10 years) to park their investment.

5.4: Results of Allocation of Funds

The allocation of funds in Financial and Physical Asset by the IT employees are examined using weighted average and their opinion based on very high to very low was categorized to measure their priority of fund allocation during investments are presented in the Table 5.4.

Table 5.4 Allocation of Funds in Physical and Financial Assets

Types of Assets	Very Low	Low	Moderate	High	Very High	Wtd. Mean	Rank
Financial Assets							
Recurring / Fixed Deposits	16 0.021	28 0.074	92 0.365	259 1.370	361 2.388	4.218	1
Life Insurance	35 0.046	37 0.098	92 0.365	332 1.757	260 1.720	3.985	3
Mutual Funds	18 0.024	148 0.392	169 0.671	229 1.212	192 1.270	3.567	6
Share Market	175 0.231	259 0.685	160 0.635	140 0.741	22 0.146	2.438	7
Bonds	12 0.016	143 0.378	67 0.266	331 1.751	203 1.343	3.754	4
Others (Government Securities, Post Office Savings, etc.)	259 0.343	332 0.878	140 0.556	19 0.101	6 0.040	1.917	8
Physical Assets							
Real Estate	22 0.029	54 0.143	211 0.837	335 1.772	134 0.886	3.668	5
Gold	29 0.038	11 0.029	82 0.325	303 1.603	331 2.189	4.185	2

Source: Computed from Primary Data

From the above table 4 it is clear that the priority of IT employees in allocating funds during investment was highly found with respect to Recurring / Fixed Deposits as a Financial Asset with, while the second position for investing in Gold as a Physical Asset, the third and fourth ranks are for the investment in Financial Assets viz. Life Insurance and Bonds respectively. Fifth position was for investing in Real Estate (Physical Asset), while sixth and seventh ranks was for investing in Mutual Funds and Share Market (Financial Assets)

respectively. Finally, the least allocation perceived by the IT employees was investing in Other financial assets (Government Securities, Post Office Savings, etc.) with the mean of 1.917.

6. Conclusion

The Study reveals that the IT employees awareness are high towards bank deposits, insurance, gold and silver, NSC, mutual fund, equity market and gold bonds but less awareness towards Government Securities, Pension funds, corporate bonds, Gold ETF, Commodity market and FOREX market. The source of information used mostly by them is Information from Electronic Media, Newspapers, Apps and Website. Regarding the investment activities the IT employees are mostly short term investor preferring public sector companies where they used upto 20% of their income for investment which are monthly investment and they expect a return between 20% to 30%. In allocating their funds they give first preference to financial assets namely fixed deposit and the second one is in Physical asset (gold), followed by insurance and bonds and finally in other categories. This shows that they are investing both in physical as well as financial assets but concentration is low in emerging financial avenues.

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