A STUDY ON CREATING INVESTMENT AWARENESS AMONG SALARIED EMPLOYESS WITH FOCUS ON FINANCIAL PLANNING

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ABSTRACT

The world is remodeling effectively in different ways and the requirement of the people is expanding day by day. People are looking for fortunate and secure life. In present circumstances funds can make individuals more fascinating. So they start Investing in different Investment avenues. Investment is the commitment of funds made with an expectation of some positive returns in future. This study is made an attempt to understand the Investment awareness among salaried employees with focus on financial planning. The objective of this paper is to study the concept of Investment awareness and savings pattern among the salaried employees. The study is based on secondary sources . The type of research used in the study are basic and applied research . This paper also discuss the opportunities and challenges among the salaried employees .The study is also used for measuring the risk performance of various investment avenues.

Keywords: Investment, Investor, Savings and Financial planning.

Introduction:

An investment is the employment of funds with aim of achieving income and growth in value the main characteristics of investment are waiting for a reward. Investment is an activity where people are engaged in savings or in other words people invest their savings. It can be in any form such as bank, real estate, mutual funds, gold etc. Basically investing has different objectives it can be for profit, security, income stability, appreciation and many more. Investment is a desire to earn expected return from his investment; this investment is portion of the savings from the salary. The investments are basically made for livelihood after the retirements. In other words, Investment refers to a commitment of funds to one or more assets that will be held over some future time period. Anything not consumed today saved for future use can be termed as Investment. In simple Investing means putting your money to work for you.

Investment awareness is a part of financial literacy. Financial literacy or awareness means the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finance. Investment and financial literacy is important to help individuals meet their life goals and objectives. In finance, investment is the commitment of funds through collateralized lending or making a deposit into a secured institution.

Definitions:

"In investing money, the amount of interest you want should depend on whether you want to eat well or sleep well." -J. Kenfied Morkey

"Investment is defined as the commitment of current financial resources in order to achieve higher gains in the future. It deals with what is called uncertainty domains."

Different Investment Avenues are available such as shares, debentures, bonds, life Insurance, Gold, silver, real estate and postal savings etc All Investors invest their surplus money in different investment avenues. The investment pattern of the salaried employees is different due to tax savings benefits, safety, security, regular flow of income, Retirement benefits rather than professionals and businessman. Few years back, there were only limited number of options available for investment, but in today's scenario the option for investments are increased and awareness for investments are also practiced. Capital formation process involves earning, savings and investment. Investment is the sacrifice of certain present value for the uncertain future reward. Investments are always interesting, challenging and rewarding. Generally where there is a high risk, more rate of return is assured. Risk and reward go together. Investing money has become a very complex task because of huge number of savings and investment companies and products offered by them. Salaried Investors are those people who earn fixed income as salary. Savings apart from salaried class is not regular and un-assured because it is subject to market conditions.

Some of the Features of Investments are:

- **Safety of principal amount**: - Safety implies the certainty of return of capital without loss of money or time. Every investor expects to get back his capital on maturity without loss and without delay.

- **Liquidity**: - Liquidity means that investment is easily realizable, saleable or marketable. When the liquidity is high, then return may be low.

- **Income stability**: - Stability of income looks for different path as security of principal. Every investor considers stability of monetary income.

- **Appreciation**: - It depends upon the industry growth. Appreciation refers to capital growth of investment.

- **Easy transferability**: - It is also known as saleability of an asset. Securities in stock market are easily moveable or marketable than which are not listed and public limited company's shares are more easily transferable than those of private limited companies.

- **Tax Implications**: - If you receive ordinary taxable income from your investment, you should report it to federal income tax return.

Who is an Investor?

An investor is a person who allocates capital with the expectation of a future financial return. A person who provides a business with capital and one who buys a stock are both investors. An investor who owns a stock is a shareholder.

Types of Investors

- Cautious investors
- Emotional investors
- Technical investors
- Busy investors
- Casual investors
- Informed investors
- Passive investors
- Active investors

- **Cautious investors:** They are very conservative; this type of investor has a need for financial security and will avoid high risk ventures as well as listening to professional advice, preferring to conduct their own financial affairs. They always give financial opportunities a great deal of thought.

- **Emotional investors:** These investors act with their heart and not their head. A feeling leads the decisions, and they have great difficulty disengaging from poor investments or cutting losses. They have an unreasonable belief that things will come right in the end and often put their trust in 'luck' to safeguard their financial assets.

- **Technical investors:** They are hard facts, numbers, lead this type of investor to active trending based on price movements. They may also have a tendency to need and buy the latest technology as they are always looking for some edge. They are screen-watchers.

- **Busy investors:** These investors need to be involved with the markets, its gives them alert or ring when they check the later price movements, which may be several times a day. They have to keep buying and selling on rumours, on overhead gossip, from the mass of newspapers and magazines they collect.

- **Casual investors:** These individuals are often hard working and involved with work or family. They tend to believe that once an investment is made it will take care of itself, and that a good job is the way to make real money. They easily forget that they own investment assets and rarely check on their financial or investment management affairs.

- **Informed investors:** They listen carefully to financial opinions and expert assessments, and will only go against market fashion after weighing up all the pros and cons. They are financially confident and have faith in their decisions, knowing that knowledge and experience will always win out to give them long-term profits.

- **Passive investors:** To these investors security is more important than risk. Passive investors make good clients because they tend to trust financial advisor and are more likely to delegate the running of their financial affairs. These investors are more likely to need the approval of others and are unlikely to take a first step into unknown investment territory by being contrarian.

- **Active investors:** They are more likely to take risks in investing because they have previous experience of taking risks in their previous wealth creation. These individuals have a high-risk tolerance and less of a need for security. Once they feel they are losing control of an investment situation, their risk tolerance reduces. By being actively involved and in control, these investors feel they are reducing risk.

Differences between Savings and Investments:

- Savings means to set keep aside a part of your earned income for future use. Investment is often defined as act of putting funds into productive users.
- In investment there is always a risk of losing money. Whereas in savings, there are comparatively fewer chances of losing money.
- Savings is to fulfil their unexpected and sudden expense or urgent money requirements. Investments are made to generate returns over the period.
- Savings can have easy access, as they are liquid and flexible. There is no easy access to money in investments.
- While saving, you put aside your some amount from your current earnings. While by investing you put your money to grow.
- Saving is a pre-requisite to investment, investment empowers your savings.
- Savings is setting aside money you don’t spend now for emergencies or for a future purchase, investing is buying assets such as stocks, bonds, mutual funds or real estate with expectation that your investment will make money for you.

Review of literature

Geethu Gopi D. Priyanka and R Preetha 2018: In this paper author's have indentified that most of the employees savings are directed to their personal expenses such as child's education, marriage etc. They are tending to risk adverse investors. The study also concluded that the salaried workforce have started realizing the significance of money and its prosperity .

Murlidhar Ananda lokhande 2015: Author have attempted to find out the awareness of rural investors about various investment avenues, their preferences and considerations for investing money. The major focus of the study was on investigating whether there was difference between investment awareness level and educational qualifications of male and female rural investors.

Manjunath. S. Awalakki 2015: Found that salaried employees, investments were not increased as compared with the business persons. Unfortunately, it is true that employees think investments only at the time of retirements.

Sonali Patil 2014: Identified that the preferred investment avenues among the individual investors using self assessment test. The author has also found that salaried employees consider the safety as well as good return on investment on regular basis.

Prof. Priya Vasagadekar 2014: In this paper author have identified that pattern of investment awareness among Indian working women. Author has also suggested that Now- a- days, women want to be financially independent & secure their future with enough funds. Thus the study was made an attempt to know the investment behavior & patterns followed by working women in various sectors.

Objectives of the study

- To study the concept of investment awareness among salaried employees .
- .To find out the problem that is faced by investors.
- To understand the pattern of investment and savings among salaried employees.

Statement of the problem

Inflation is very much related to investment awareness. Increase in price is affecting your cost of living, leaving a dent in your saving and investments. The main reason is the rise in inflation, the amount you save or interest from your income every month may not rise at the same rate. Hence, the rise in price puts extra pressure on your savings and investment. Some of the various problems faced by investors in investment are: - Inadequate disclosure, Insider trading, Price manipulation, Over subscription of shares, Lack of transparency, Investor's grievance, and many others. Many salaried employees are aware about the investment awareness in share market, mutual funds but they consider these investment avenues as a high risk. Investment aims at manipulation of money at higher or lower rates depending upon whether it is long term or short term investment and whether it is risky or risk free investment.

Need of the study

Investment is needed for further income such as interest, dividend, premiums, pension benefits, purchasing of shares and debentures, post office saving certificates etc. The different ways investments like stocks, bonds and ETF's provide income by way of dividend. Investing is essential good money management because it ensures the financial security. Investing is only way to achieve both growing wealth and passive income. However when most people talk about investing they are referring to higher investments like mutual funds and stocks. Salaried employees in general have fixed flow of income and their investment patterns are also found to be different. Many researchers have tried to find out investment behaviour of salaried investors in Bangalore city.

Relevance of the study:

- **Longer life expectancy or planning for retirement:** The earnings from employment should, therefore be calculated in such a manner that a portion should be put away as savings. Savings by themselves do not increase wealth.
- **Increasingly rates of taxation:** There are various forms of saving outlets in our country in the form of investment which helps in bringing down the tax level by offering deductions in personal income.
- **Interest rates:** Interest rates vary between one investment to another and between risky and safe investments. They may also differ due to different benefits scheme offered by the investments.
- **Inflation:** Inflation has become a continuous problem since a decade. With the rising of prices, several problems are associated coupled with falling standard of living.
- **Income:** Income is another reason why investment decisions are assumed import with the general increase in employment opportunities in India. Post Independence, a number of new organisations and services were formed.
- **Investment Channels:** The growth and development of the country leading to greater economic activity has lead to the introduction of vast arrays of investment outlets. Some of the instruments available are corporate stock, provident fund, life insurance, fixed deposits in the corporate sector and so on.
- **Reach your financial goals:** By investing through a mix of assets, an individual can build up the corpus required for the future payment. It can be buying of house, education of children, retirement and many other.

Research Methodology: The research for the present study covers the various secondary sources such as internet, websites, magazines & , research articles from national & international journals. Various books related to topic and other references were made.

Operational Definition

- **Liquidity:** The fact of being available in the form of money, rather than Investments of being able to be changed into money easily. It means they cannot be immediately sold and easily converted into cash.
- **Long term expectancy:** It is the Statistical age that a person is expected to live until, based on actuarial data. It is used in pricing, life insurance, annuities, retirement, pension planning, and many others.
- **Risk:** Risk implies future uncertainty about deviation from expected earnings or expected outcomes. It measures the uncertainty that an Investor is willing to take to realise a gain from an Investment.
- **Return:** A Return is the change in price of an asset, investment over time which may be represented in terms of price change of percentage change. Return could be in the form of dividend, interest, capital gain etc.
- **Security analysis:** It refers to the method of analysing the value of securities like shares and other instruments to assess the total value of business which will be useful for investors to make decisions.
- **Portfolio analysis:** It is the strategic units that make up the company and the attempts to evaluate current effectiveness and vulnerabilities. It is the strategic units that make up the company and the attempts to evaluate current effectiveness and vulnerabilities.
- **Financial planning:** Financial planning is an activity which determines how a business organisation will find the ways to achieve its strategic goals and objectives. Generally an organisation creates a financial plan immediately after formulating its vision, mission and objectives.

Opportunities:

- Considered to be the best investment option for higher returns in the long run.
- Can vote in certain decisions taken by the company.
- Long term capital gains and dividends are tax free.
- Allow investors with small amount of money to invest in a number of schemes.
- Suitable for investors and corporate to park their surplus funds for a short period of time.

Challenges:

- Initial capital may get wiped out.
- Volatile can impact returns.
- Many local and global factors affect share prices
- Fixed deposits are safer and more stable regulated by RBI.
- Investors are ready to make long term investments in different investment avenues.

RESULTS AND DISCUSSION

Every investor is expecting the maximum rate of return. The most important objective of every investor is to maximise the rate and minimise the risk. There are two important coins of investment such as **Risk** and **Return**. There are many investors who are not aware about the investment awareness about salaried employees with a focus on financial planning. The research was focused on savings on investment. Every employee who works in organisation should get salary on time in order to get the returns on investment. Hence the risk and returns are interrelated with each other. It is been said that higher the returns larger will be having substantial losses. Investments can be made in various securities such as shares, debentures, bonds etc.

Futures are a popular alternative of investment that invests directly in commodities such as oil and gold. Investor's have an option to choose from direct futures contract investing, managed futures accounts, and ETF's that hold commodity futures contracts. The risk arbitrage involves making traded to take advantage of temporary price discrepancies including merger and acquisition arbitrages, pairs trading and liquidation arbitrage. Long/ short equity trading adopts both buy (long) and sell (short) positions to minimise risk or maximise profits. There are several different approaches, such as buying one market sector while selling another, or buying one stock in an industry while short selling another stock in the same industry. Long/short trading also encompasses option trading strategies to hedge overall long or short positions. Real estate tends to perform when stocks are performing poorly. Investors can buy REIT stocks or invest in ETF's or mutual funds focused on real estate holdings. The foreign exchange market (forex market) may offer opportunities in a global economic climate of divergent monetary policies. Forex trading is open directly to retail investors who choose to access this investment class through ETF's or mutual funds. Foreign exchange trading is often one element of a global macro trading strategy employed by a hedge fund.

Despite the financial soundness that working employees have got, they are still not having the complete knowledge of portfolio management or in simple words, taking proper investment decisions. Due to insufficient knowledge of financial instruments, employees are finding it difficult to invest in the projects where high amount of risk is involved. And those who are investing in such avenues like stocks or equities, they do it many a times following their friends advice. Hence, there is high risk involved of facing heavy losses. More efforts should be taken of course, by working employees themselves to increase their financial literacy. Secondly, the government should organize investment awareness campaigns often especially designed for employees. This research paper is beneficial for management students who are planning to take Investment Management as their area of specialization & it throws light on the present scenario regarding investment awareness among Indian working employees.

The success of every investment decision has become increasingly important in recent times. Making sound investment decision require both knowledge and skill. Skill is needed to evaluate risk and returns associated with an investment decision. Knowledge is required regarding the complex investment alternatives available in the economic environment.

It aims to create awareness among the investors about what behavioural biases they are most likely to exhibit because of the presence of one bias. It is generally believed that investors having higher income can afford to take higher level risk than their lower income counterparts, but our study does not support this strongly. The reason for this is not well understood but could be associated with a number of other factors such as increased level of responsibilities, dependents etc. This study will definitely help the stakeholders to take appropriate decisions regarding the time of investment, horizon of investment, quantum of investment, and even portfolio selection. Using these expected return values, the possible outcomes can be predicted. The chance for actual outcome from an investment will vary, but the width of a probability distribution of rates of returns is a measure of risk. A thorough study of the firms in terms of their capital structure, shareholding pattern, knowledge of the financial market, its intricacies involved in it is needed by investors to make the right decision about their investments.

SUGGESTIONS

- The study will not only enhance the literature knowledge base, but also bring interest among the academic community and industry researchers for carrying out further research in investment awareness among salaried employees
- The investment ventures should be aware of the investor's attitude and investment behaviour so that they can take maximum benefit of it.
- Loss of financial risk factor can be removed from the minds of investors if they are well trained, informed and educated.

Conclusion:

It explains that individual's investment decision is not based on one particular factor, besides by more than one factor. The most critical challenge faced by them in investment decision is they act in a rational manner and usually follow their instincts and emotional biases while making investment decisions. From the various literatures it is found that there is no single variable or factor which influences the investment decisions of an individual, it differs from person to person, place to place, securities to securities etc. This study would enable investors to become aware of the behavioural biases they are most likely to exhibit because of the presence of one bias in the long run. The study has also made an attempt to understand the savings and investment pattern of salaried employees with focus on financial planning. The study is also used for measuring the risk performance of various investment avenues.

The study can be enhanced with an in-depth level of awareness among investors towards various investments. The increasing trend of firms moving abroad for investments has raised concern among policy makers of emerging countries, assuming that an increased outflow of capital would lead to having a negative impact on the domestic investment. Market size, representing the purchase power of people, indicates the demand expectations for variety and quality of goods and services in the market. Investment analysis is an ongoing process evaluating current and potential allocations of financial assets and choosing those allocations that benefits the investor's needs and goals. various problems faced by the investors can be solved in the right direction. Almost all investments carry risk and yield return. The one who can get the higher risk, the higher the expected return and the larger will be the substantial loss.

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