

PERSONAL SAVINGS AND INVESTMENT PATTERN OF SALARIED PEOPLE IN MADURAI CITY

¹Dr. Mrs. Saral Rajamani C, ²Mrs.Parimala M,

¹Assistant Professor in Commerce (Aided), ²Associate Professor in Commerce (SF),

^{1,2}Lady Doak College

^{1,2}Madurai, Tamil Nadu, India.

Abstract: Individuals mindful of ‘safe tomorrow’ prefer to save and invest. Each of them adopts different methods and forms to save and invest. Every method has its own risk and return. This paper on savings and investment pattern of salaried employees gives an analysis in nut shell about the savings methods and investment pattern followed by salaried people and their motives in such activity. Chi-square test, Likert scale, Garrett ranking tools were used to analyze the objectives.

Keywords: affordability, capital formation, liquidity, risk, security, share market, tax-saving.

I. Introduction: Savings is a common practice among individuals. Whereas, the saving methods may vary depending on varieties of factors namely the motives for saving, social pressures, future needs, emergencies and the like. Savings of an individual represents the surplus earnings beyond consumption or earnings not spent on immediate consumption. There are different methods of savings schemes like children plans, premium bonds, savings bonds, regular savings bank account, school fee plan and post office savings.

Investment means the purchase of a financial or real asset that produces returns, proportionate to the risk undergone over a future investment period. This involves decisions on how and where to place the savings, so that the ‘future requirements’ can be best met. The word ‘investment’ has many interpretations. A person who lends money to another, it may be his investment for interest income. Similarly, purchase shares of a company, bullion or real estate for value appreciation, is an investment for him. Purchase of insurance policies can also be treated as investments as it offers returns and risk coverage.

II. Review of literature: Bbasher et al. (2013) conducted a study on “Investment preferences and risk level of salaried individuals”. It shows the relationship of demographic variables with the investment preferences consisting of stock investment and gambling decisions of salaried individuals of finance teachers and bankers of Gujarat and Sialkot. A sample of 120 individuals was taken for this study. The statistical tools used for this research is frequency tables and correlation coefficient on data conducted by questionnaire. The research indicates that females are more risk averse than males. Finally it is concluded that demographic factors have significant relationship with risk level, stock investment and gambling.

Kothari (2014) examined in his study on “Investment Behaviour Towards investment Avenues: A study with reference to Indore City”. The study highlighted that the savings of the people invested in assets depending on their risk and return demands, safety of money, liquidity, the available avenues for

investment, various financial institutions etc. The research is carried out with a sample size of 100. The author concluded that if younger generation starts investing at such an early stage on regular basis, they will able to save more for their future.

III. Statement of the problem: There is a thin difference between the concepts of saving and investment. These terms have been used interchangeably. Saving is income kept in the form of cash and easily cashable deposits. Creating savings and its conversion into investment is the sequence in 'capital formation which is vital to the economic growth. In order to encourage people to save, many savings schemes targeting men, women and children have been designed and implemented. Investment is channelizing the savings into 'capital' with higher returns which is coupled with risk comparing the saving plans. This makes people hesitant to invest widely. The salaried class, with regular monthly income has a specific spending pattern. They also invest in compulsory investments to save tax and meet any future requirements as well. At present, the safety of the saving and investment is increased subjectively, whereas the objectivity is still a researchable question, as there are loopholes due to the exposure to varied environmental conditions. All these made the researchers' to do a scientific study on the forms of savings and investment pattern of salaried people.

IV. Objectives of the study:

The researchers' chose to unveil the following questions to resolve above stated problem:

- describe the factors influencing the forms of savings of the salaried people.
- find out the awareness of investment avenues among salaried people.
- compare the relationship between the savings and investment pattern of salaried people
- evaluate the motives for investment and the pattern followed by the salaried people.

V. Methodology: Descriptive and Analytical Research Design is adopted with the convenient sample of 150 respondents from public and private sector. The data was collected using a questionnaire. e- journals and monthly issues of financial weekly and like have also been referred. Inferential Statistics like Percentage Analysis, Ranking Analysis, Chi-Square Analysis, Likert Scale were used.

VI. Analysis and Interpretation

Table No 1. Composition of Respondents

Particulars	Class interval	Frequencies	Percentage	Mean	Std. deviation
Age	20-30	57	38	35.23	9.5026
	31-40	55	37		
	41-50	23	15		
	Above-50	15	10		
Gender	Male	67	45	75	0.9237
	Female	83	55		
Education	SSLC	21	14	25	2.1664
	HSC	18	12		
	UG	42	28		

	PG	36	24		
	Professional	23	15		
	Others	10	7		

Source: Primary Data

Table No.2 Key Factors Influences the Savings

Factor Consider Before Saving			
S.No	Particulars	Score	Rank
1	Safety	81	I
2	Liquidity	57	IV
3	Return	52	V
4	Affordability	70	II
5	Diversification	47	VI
6	Tax Savings	63	III

Source: Primary Data

As the respondents save out of hard earned money, the prime factor influencing the choice of savings was safety of the earnings saved as well as their safety in future. They save after fulfilment of their essential supplies. The affordability of the salaried individuals stood as second influencing factor, tax saving is another factor that affects the savings of individuals.

Table No.3 Satisfaction about Various Savings Schemes

Particulars		Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied
Bank Deposits	Count	0	0	23	63	64
	Row N %	0.0%	0.0%	15.3%	42.0%	42.7%
Fixed Deposits	Count	0	4	35	70	41
	Row N %	0.0%	2.7%	23.3%	46.7%	27.3%
Other forms of Savings	Count	0	0	28	32	90
	Row N %	0.0%	0.0%	18.7%	21.3%	60.0%

Source: Primary Data

The above table represents that 42.7% of the respondents are highly satisfied with the bank deposits, 46.7% respondents represent that they are satisfied with the fixed deposits and a majority of 90% follow other personalised ways of household savings and were highly satisfied about the same. The level of dissatisfied or highly dissatisfied respondents was negligible less than 5% in all the methods of savings. This gave an insight that salaried individuals were confident about the traditional methods of saving and bank schemes as well.

Table No.4 Age and Methods of Savings

Various Methods of Savings with Age			
Particulars	Value	Degree of Freedom	Asymptotic Significance (2-Sided)
Pearson Chi-Square	3.250	6	0.777

Source-Primary Data

Value of χ^2 is 3.250. The Pearson Chi – square P value is 0.777. Hence the null hypothesis is accepted and there is no significant association between age and level of satisfaction of the respondents in preference of savings.

Table No.5 Gender and Methods of Saving

Gender and Methods of Saving			
Particulars	Value	Degree of freedom	Asymptotic Significance (2-Sided)
Pearson's Chi-Square	1.053	6	0.591

Source: Primary Data

Value of χ^2 is 1.053. The Pearson Chi – square P value is 0.591. Hence the null hypothesis is accepted and there is no significant association between gender and level of satisfaction of the respondents

4.1 Investments of salaried people Investment is channelizing the savings into a capital with higher returns coupled with relatively more risk comparing the savings plans. The status of salaried individuals regarding investments and their motives were discussed below.

Table No.6 Awareness about investment avenues

S.No	Investment Avenues	Frequencies of	
		Awareness	No Awareness
1	Share market	52	98
2	Life insurance	106	44
3	Policies for children	91	59
4	Mutual fund	67	83
5	Real estate	84	66
6	Retirement policy	83	67
7	Debentures/bonds	62	88
8	Gold	150	0
9	Silver	150	0

Source: Primary Data

The awareness level about the dealings in share market and debt market were relatively less than other forms of investments namely insurance and real estate. Entire salaried community is aware of gold and silver as investible assets. The salaried classes were accustomed to invest in life insurance products as the awareness level was comparatively high.

Table No.7 Factors Influences Investments

Important Investment Motives			
S.No.	Particulars	Score	Rank
1.	Increase in income	70	II
2.	Future requirements	81	I
3.	Earn higher return	63	III
4.	Reach financial goal	57	IV
5.	Avoidance of tax	47	VI
6.	To support others	52	V

Source: Primary Data

From the above table, the respondents consider that savings for future as the first important motive factor, 'increase in income' and 'earning higher returns, were ranked second and third respectively. Thus, it can be concluded that the majority of the salaried individuals motivated to save for future needs may it be children, old age or grandchildren, further people who earn a higher income save as aligned by Indian culture.

Table No.8 Educational Level and Investment Pattern

Educational Level and Investment Pattern			
Particulars	Value	Degree of freedom	Asymptotic Significance (2-Sided)
Pearson Chi-Square	2.032	6	0.451

Source: Primary Data

Value of χ^2 is 2.032. The Pearson Chi – square P value is 0.451. Hence the null hypothesis is accepted and there is no significant association between education and level of satisfaction towards various investment avenues.

Table No.9 Gender and Investment Pattern

Gender and Investment Pattern			
Particulars	Value	Degree of freedom	Asymptotic Significance (2-Sided)
Pearson Chi-Square	2.576	6	0.563

Source-Primary Data

Value of χ^2 is 2.576. The Pearson Chi – square P value is 0.563. Hence the null hypothesis is accepted and there is no significant association between gender and level of satisfaction of the respondents of various investment avenues.

Table No.10 Satisfaction about Various Investment Schemes

Particulars		Highly Dissatisfied	Dissatisfied	Neutral	Satisfied	Highly Satisfied
Gold	Count	1	4	59	61	25
	Row N %	0.7%	2.7%	39.3%	48.7%	16.7%
Silver	Count	5	23	40	73	9
	Row N %	3.3%	15.3%	26.7%	40.7%	6.0%
Real Estate	Count	9	54	68	9	10
	Row N %	6.0%	36.0%	45.3%	6.0%	6.7%
Others	Count	5	65	65	13	2
	Row N %	3.3%	43.3%	46.3%	8.7%	1.3%

Source: Primary data

It was found that the satisfied respondents in case of gold was as high as 48.7% and silver appeared to be 40.7% whereas, the same was less than 10% in all other investments. Percentage respondents expressed high level of satisfaction was also high in gold compared to all other investments. The percentage of dissatisfied respondents was high 43.3% in other sources including all the tailored policies and contemporary investment schemes as the benefits were intangible in character. In case of gold percentage of dissatisfied or highly dissatisfied was only the least. 46.3% of the respondents were in the state of ‘cat on the wall’

4.2 Relationship of Savings and Investment Pattern: Majority of the salaried individuals’ motive to save as identified in this study was safety of their income. Having saved a sizable income they invest the savings in some other forms of investments mainly to meet the future requirements, to increase their income and to save tax as well. Instead of keeping the income as savings, the money income is channelized into capital formation as it is invested in corporate securities and insurance companies which indirectly participate in capital formation. Therefore tabulation is made to compare the level of satisfaction

Table No.11 Satisfaction Levels of the Respondents in Various Sources of Saving and Various Investment Avenues with Gender

Gender	Various Sources of Savings	Various Investment Avenues	Various Sources of Savings	Various Investment Avenues	Various Sources of Savings	Various Investment Avenues
	Low Level		Medium level		High Level	

Male	22	18	24	30	21	21
Female	22	22	36	28	25	31
Total	44	40	60	58	46	52

Source: Primary Data

As much as 30 respondents expressed medium level satisfaction and only 18 (12%) expressed low level satisfaction in their investment benefits and 20% expressed medium level satisfaction and 14% expressed high level satisfaction. Only the satisfaction of male varies. The satisfaction of women was relatively high.

VII. Key findings of the study are: The age and gender has no significant association either with the methods of savings or with the investment pattern. The awareness about the methods of savings and investment pattern appeared high in case of guided investments whereas the awareness of share market and debt market was comparatively lower than the other investments. Safety plays the key influencing role in savings methods of salaried people. A future requirement was the important influencing factor in case of investments of salaried people.

VIII. Suggestions:

- Attractive savings methods to suit the varied groups namely age, gender and family size can be designed to promote savings culture.
- The salaried men differ in their satisfaction than women. Women show a range of medium to high satisfaction both in savings as well as investment.
- Investments avenues like share market, mutual funds the procedure must be made simple and easy to handle. Moreover, an awareness campaigning on the online money handling safety practices is the need of the hour.
- As majority of the salaried people prefer to invest in the insurance policies, retirement policies and tax saving schemes, these investment companies should market various schemes along with the banking services which is familiar to all the salaried people.

IX. To conclude, the salaried class with the updated necessity to save and invest, the safer easy and safe saving and investment avenues without difficulty in realizing the maturity values or loss of amount committed can help in channelizing the individual savings and investment into capital formation which in turn would promote developmental and business ventures that has focus on the balanced inclusive growth in the economy. Germane efforts may be made to make the investment climate more congenial and attractive to the investing community. Let's save to save the nation.

References:

Books:

1. Kothari. C.R-"Research Methodology, Methods & Techniques vishwa Prakashan New Delhi 2nd Edition.
2. Prema-chandraAthukorala Dr. KunalSen Dr. "Saving, Investment, and Growth in India"- OUP India Publishers.

Online resources:

- https://www.google.co.in/?gfe_rd=cr&ei=MA7ZWNeiGMuR2ATu04HwCA&gws_rd=ssl#q=savings&*
- https://www.google.co.in/?gfe_rd=cr&ei=MA7ZWNeiGMuR2ATu04HwCA&gws_rd=ssl#q=types+of+savings&*
- <https://www.moneyadviceservice.org.uk/en/categories/savings-types>
- https://www.google.co.in/?gfe_rd=cr&ei=MA7ZWNeiGMuR2ATu04HwCA&gws_rd=ssl#q=investment&*
- <http://www.investopedia.com/terms/i/investment.asp>
- https://www.google.co.in/?gfe_rd=cr&ei=MA7ZWNeiGMuR2ATu04HwCA&gws_rd=ssl#q=savings+and+investment+pattern+of+salaried+people&*
- http://www.indusedu.org/pdfs/IJREISS/IJREISS_369_98980.pdf

