

A Study on Savings and Investment Behavior of Residents in Gwalior City

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Abstract: India has traditionally been a country of savings oriented people. Here people have managed to spend less than their income and save the maximum possible amount out of regular income for securing their future. However with changing times the attitude of people towards management of their finances is also changing. The aspiring young middle class, which forms a major chunk of Indian population, is becoming more inclined and eager to raise its standard of living and it is bound to reflect in the change in pattern of savings, expenditure and investment of people. Therefore, in order to understand common man's current savings and investment habits and practices, this research study, descriptive in nature, was conducted among residents of Gwalior city. The responses were taken from a sample size of 50 respondents, using Judgment sampling method. The findings of the study suggest that people from different demographic background have acquired varying level of awareness towards savings and investment matters, which further reflects in their choice of financial means, ranging from traditional to new age financial instruments. The outcome of the study signalled the changing attitude of people towards savings and investment, which also emphasized the need of further in depth researches covering larger area and population.

Keywords: Savings, Investment, People Attitude, Demographic influence

INTRODUCTION

Household savings may be defined as the difference between the household's disposable income and its consumption on different kinds of goods and services. Savings at household and individual level are highly significant for the economy of a country because an economy having lower rate of savings cannot be strong enough to fund its investment requirements domestically. Countries having lower rate of savings are forced to borrow from other nations in order to fulfill their funding requirements towards capital investment which end up in terms of deficit in its balance of payments. In context of our country, traditionally household savings has been at highest level in comparison to any other sector of economy, as shown in figure below:

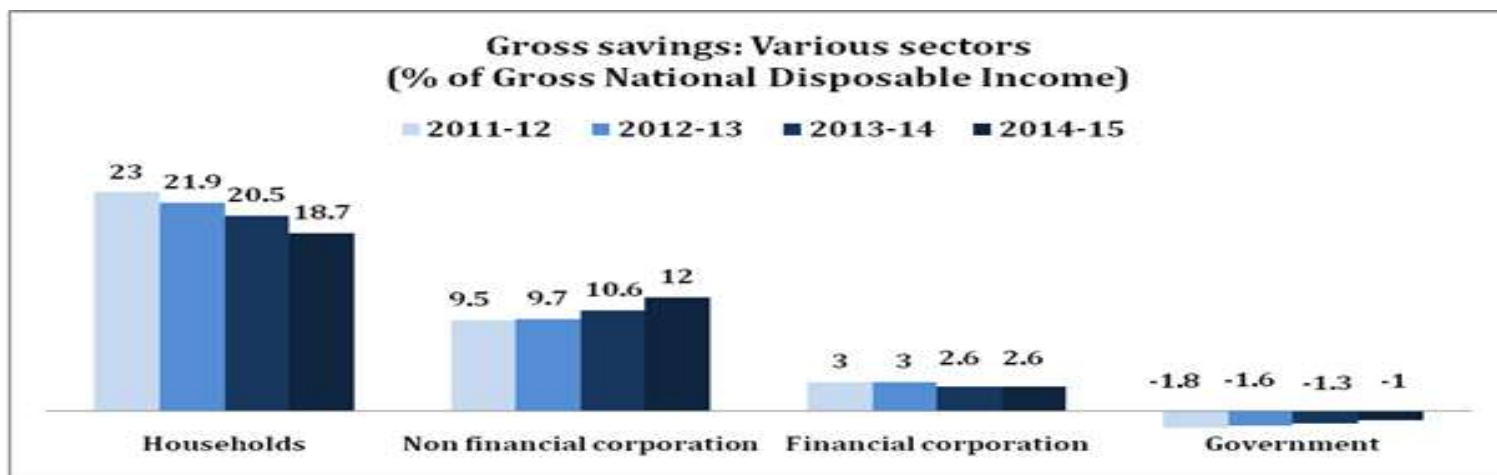


Fig: Gross Savings by various sectors in India

Source: RBI (2015)

However, with passage of time, the overall contribution of household savings into Gross national Disposable income has been going down, as can be seen from the figure. The overall household savings was 23% of the Gross National Disposable Income (GNDI) in 2011-12, which further came down to 18.7% in 2014-15.

As far as investment is concerned, the change in pattern of investing into traditional means of investment is already becoming apparent. As per the records available with reserve bank of India, the proportion of investment into fixed deposits dropped to 4.7% of GDP in fiscal 2016, from 4.9% in fiscal 2015 and 5.8% in fiscal 2014. At the same time, the household financial savings in shares and debentures increased to 0.7% of GDP in fiscal year ended 2016, from 0.4% in fiscal 2014 and fiscal 2015. Even physical assets like land and gold, which were once very prominent in an Indian family's savings/investment portfolio, are losing their part. These are down at 10.8% of gross financial savings in 2014-15 from 15.5% in 2011-12.

Table-1: Break-up of household savings

		(% of GDP)				
		2011-12	2012-13	2013-14	2014-15	2015-16
A	Gross financial savings	10.4	10.4	10.4	10	10.8
	of which					
	Currency	1.2	1.1	0.9	1.1	1.4
	Deposits	6	6	5.8	4.9	4.7
	Shares and Debentures	0.2	0.2	0.4	0.4	0.7
	Claims on government	-0.2	-0.1	0.1	0	0.4
	Insurance funds	2.2	1.8	1.6	1.9	2
	Provident and pension funds	1.1	1.5	1.6	1.6	1.5
B	Financial liabilities	3.2	3.2	3	2.5	3
C	Net financial savings (A-B)	7.2	7.2	7.4	7.5	7.7

Source: RBI (2016)

The table shown above is an endorsement of changing attitude and inclinations of people towards their savings patterns and means of investment choice. Therefore it becomes imperative for the researchers to study and analyse these changes and explore those factors that are influencing those changes for a better understanding of the phenomenon.

LITERATURE REVIEW

Gupta and Jain (2008) conducted a pan India study which provided useful information on how the investors' attitude towards various investment types is related to their income and age. Davar and Gill (2009) researched upon different aspects in the selection of different investment avenues for the households. The outcome of the study emphasised on familiarity, satisfaction, opinion and demographic dimensions for all investment avenues.

Abhijeet Chandra and Ravinder Kumar (2011) unravelled some psychological dimensions, such as conservatism and under confidence. These psychological components were claimed to be influencing individual investors' buying behavior with respect to investments. The study conducted by Geetha and Ramesh (2011) found that people lack the awareness about different types of investment options available to them. Shanmuga Sundaram and Balakrishnan (2011) after an analysis of different factors concluded that demographic factors have an influence upon the investment decisions of people.

Geetha and Ramesh (2012) studied the significance of demographic factors for investment decisions and suggested that age, education and occupation have significant influence over investment decisions. While analysing savings pattern among people, Chakraborty (2012) found that savings objective of people is influenced by demographic factors like age, occupation and income.

According to the study conducted by Lubna Ansari and Sana Moid (2013) it can be said that investment decisions of young professionals are independent of gender but dependent on Income and age. Puneet Bhushan (2014) investigated the level of awareness and investment behavior of salaried individuals with respect to financial products. He found that awareness level about traditional and safe financial products is adequate whereas it is quite low towards modern age financial products among the people. The given research studies provided with the background and basis for the current study. From literature review the researcher comprehended the importance of investment behaviour to the households.

RESEARCH METHODOLOGY

To carry out this research primary data was collected. For selection of people for collecting the responses on the saving and investment pattern of women and men a combination of judgment and convenience sampling was used covering the sample size of 50.

Statement of the problem:

Savings and Investment decisions have always been crucial for common people among their major life decisions. Due to lack of awareness and knowledge towards proper financial instruments people often hesitate in making right decisions at right time. However with increased literacy and education and due to after effects of liberalized economic policies of the government there has been a phenomenal enhancement in common understanding of savings and investment matters among people. This study is an attempt towards assessment of people's awareness and understanding with respect to matter of savings and investment.

Objectives of the study

- To explore the saving and investment habits of people.
- To study the demographic influence on savings and investment awareness of people.

DATA ANALYSIS**Hypotheses**

H0: There is no significant relation between Gender and Awareness with respect to savings and investment matters.

H0: There is no significant relation between Age and Awareness with respect to savings and investment matters.

H0: There is no significant relation between Occupation and Awareness with respect to savings and investment matters.

H0: There is no significant relation between Income and Awareness with respect to savings and investment matters

Relation between Gender and Awareness

The influence of gender as a demographic factor on awareness of people towards savings and investment matters is assessed by applying non parametric statistical chi-square test through SPSS.

Table 2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.128 ^a	1	.024		
Continuity Correction ^b	3.926	1	.048		
Likelihood Ratio	5.220	1	.022		
Fisher's Exact Test				.046	.023
Linear-by-Linear Association	5.026	1	.025		
N of Valid Cases	50				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 12.00.

b. Computed only for a 2x2 table

Result: There is a significant association between gender and awareness, $\chi^2 (1, n=50)=3.926, p=0.04$

Relation between Age and Awareness

The influence of age as a demographic factor on awareness of people towards savings and investment matters is assessed by applying non parametric statistical chi-square test through SPSS.

Table 3: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.265 ^a	1	.022		
Continuity Correction ^b	4.042	1	.044		
Likelihood Ratio	5.373	1	.020		
Fisher's Exact Test				.027	.022
Linear-by-Linear Association	5.160	1	.023		
N of Valid Cases	50				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 11.04.

b. Computed only for a 2x2 table

Result: There is a significant association between age and awareness, $\chi^2 (1, n=50) =4.042, p=0.04$

Relation between Occupation and Awareness

The influence of occupation as a demographic factor on awareness of people towards savings and investment matters is assessed by applying non parametric statistical chi-square test through SPSS.

Table 4: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.945 ^a	1	.047		
Continuity Correction ^b	2.899	1	.089		
Likelihood Ratio	4.000	1	.045		
Fisher's Exact Test				.088	.044

Linear-by-Linear Association	3.866	1	.049		
N of Valid Cases	50				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 11.50.

b. Computed only for a 2x2 table

Result: A Chi-square test for independence indicated no significant association between occupation and awareness, $\chi^2 (1, n=50) = 2.899$, $p=0.089$

Relation between Income and Awareness

The influence of income as a demographic factor on awareness of people towards savings and investment matters is assessed by applying non parametric statistical chi-square test through SPSS.

Table 5: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.648 ^a	3	.000
Likelihood Ratio	47.098	3	.000
Linear-by-Linear Association	29.811	1	.000
N of Valid Cases	50		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 4.14.

Result: A Chi-square test for independence indicated a significant association between income and awareness, $\chi^2 (1, n=50) = 36.648$, $p=0.000$

RESULT AND DISCUSSION

- Savings and Investment habits of people were found to be majorly driven by their demographic background. The female respondents were more disciplined, self controlled and systematic in their approach towards savings as compared to the male respondents.
- The awareness level towards availability of financial instruments also played an important role in forming savings and investment habits of people. The analysis of responses obtained further suggested the influence of degree of awareness on savings and investment habits of people from different demographic background.
- In our sample size of 50, male and female respondents had equal participation (50% each). The analysis showed a significant association between gender and awareness, which meant that people having male gender were more aware towards money related matters as compared to the females.
- Further, a significant association was found between age group and awareness. In order to study the influence of age on awareness, the sample was divided into 2 age groups, i.e. people below age of 30 years and people above age of 30 years. The results showed that people with age more than 30 years were having relatively more knowledge and information towards savings and investment in relation to those in lesser age group.
- With regards to occupation of people, no significant relation was witnessed of it with the awareness level towards savings and investment matters. Whether people belonged to business class or service, their occupation had no differentiating impact upon their understanding of financial matters like savings and investment.
- The income level of people showed a significant association with their awareness level of personal finance related matters. The response analysis revealed that people with higher income brackets were having more detailed knowledge about savings and investment instruments.
- Mostly women depend upon their families and well wishers for knowledge about investment options available to them. Men majorly choose to take advises from professional consultancy institutions when it comes to choosing their investment plan.
- The study showed that women prefer gold as the best option for investment However the male respondents invested their income in traditional investment like Fixed Deposits as well as modern investment options, like SIPs and Mutual Funds.
- Females are more dependent on male counterpart for taking financial decisions on saving and investment matters. Males are more risk taker than females. Whereas females are more inclined towards keeping their savings into instruments with safe future outcomes.

CONCLUSION

People from all walks of life need to understand the importance and basic intricacies of financial means towards savings and investment. The gender gap towards awareness and knowledge about financial matters though exists, but at the same time more and more females are willing to deal with their savings and investment independently. With respect to age group, earlier a person secures knowledge on financial matters, more he/she becomes independent and confident while taking important decisions of life. Therefore it is the need of the hour to bring about financial literacy in our society without any demographic differentiation so that the benefits of available financial instruments (Savings and Investment) could be passed on to every individual citizen.

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