

# SAVINGS AND INVESTMENT PATTERN OF PRIVATE SECTOR EMPLOYEES IN KOTTAYAM DISTRICT

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## Abstract

Savings is the amount of money withheld from spending and thus conserved for future use. In the simple words; savings is the excess of income over expenditure for any economic unit. It is abstaining from present consumption for a future use and is coming from households. As a matter of habit, savings means sacrificing the current consumption in order to increase the living standard and fulfilling the daily requirements in future. As circulation of blood is necessary for the survival of the individual in the same way savings are also necessary for unpredictable future in order to meet the emergencies in life. The present study aims at analysing the savings and investment pattern of private sector employees in Kottayam district.

**Key words:** Economic unit, Households, Individual

## INTRODUCTION

Savings are very significant for people, society and economy as whole. In early days, there were only a few investment alternatives where available. But in modern days, there are enormous savings of investment vehicle are available. Private sector employees are the higher educated group with a fair income have also myriad of investment opportunities and savings alternatives. It may help in managing their tax affairs, earning a return or capital appreciation and so on. If employees make a wrong investment decision, it may lead to the erosion of purchasing power of the amount invested. Hence, it immensely significant to study the savings and investment pattern of private sector employees.

## LITERATURE REVIEW

Over the years several researcher have been conducted to analyze the savings and investment of salaried people.

Neha S Shukla(2016) focused on the analysis of investment preference of working women of North Gujarat region. It was concluded that the majority of the women preferred traditional mode of investment practices. C.K.Osondu et.al (2015) studied that household's reserves play a significant part in the economic progress of both developed and developing nations, owing to its noteworthy influence on the globular flow of earnings in the financial system.

A study by B.Thulasipriya (2014), shows that majority of the respondents are saving money as Bank Deposits for the safety of an unpredictable future. The main avenues of investment are Bank Deposits and the main purpose of investment is for children education, marriage and security after retirement.

The researchers, Sonali Patil & Dr. Kalpana Nandawa (2014) has analyzed that salaried human resources consider the security as well as good return on savings on normal basis. Respondents are conscious about the investment avenues offered in India excluding female investors.

Vasagadekar Priya (2014) examined that women working in various industrial sector in Pune. The investment habits, the role in investment decision making, preferable investment avenues and risk bearing capacity are studied. It is clear from this study, women generally prefer to invest in safe investment avenues like Post Office savings scheme and fixed deposits in banks.

V.R. Palanivelu & K. Chandrakumar (2013) studied the investment preferences of salaried class in Namakkal Taluk, Tamil Nadu. It highlights that certain factors like age, educational level, knowledge about financial system affect the decision regarding the choice of investment avenues.

Dr. Anathapadmanabha Achar (2012) research focused on the savings and investment patterns of primary, high school, college and university teachers in Udupi district of Karnataka State. The savings and investment act of teaching population is determined by the distinctiveness such as age, gender, life style and marital status.

Dr. Varsha Virani (2012) propounded in her study on savings and investment model of school teachers in Gujarat in which data is collected from 100 school teachers and conducted that a large amount of the school teachers are saving funds as bank deposits and government securities as their investment preference.

## SIGNIFICANCE OF THE STUDY

Every economy is greatly influenced by the savings and investment patterns of the persons in it. As an inflationary economy it is wise to study in the savings and investment patterns of people in our economy. With the great deal of knowledge exposure and of course with affair income the employees might tend to make rational and intelligent decision in savings and investment pattern. Private sector employees are the elegant group in the society is to be studied well in terms of their savings and investment pattern. The findings may be useful to various investment avenues as well as investors.

### Objectives of the study

- To identify the top leading investment venues.
- To find out the most preferred investment venues
- To study the objectives of investments.
- To identify the major factors affecting investment decisions
- To make the suggestions and improvements

### Hypothesis

- $H_0$ : There is no significant difference between income groups of private sector employees with regards to preferred investment avenues.
- $H_0$ : There is no significant difference between the mean rank towards the objectives of investment for private sector employees.
- $H_0$ : There is no significant difference between the mean rank towards the factors affecting investment decision of private sector employees.

## RESEARCH METHODOLOGY

This study is based on primary data as well as secondary data. The secondary data is from various journals and articles. The primary data is collected from sample respondents using structured questionnaire. The population of the study is private sector employees in Kottayam district. The 60 sample respondents were selected through convenient sampling method.

### Period of the study

The study covered a period of 4 months from December 2017 to March 2018.

### Limitations of the study

- Sample size selected for the study was comparatively small.
- Lack of co-operation on the part of respondents was a limitation but maximum effort has been taken to ensure accuracy of data.
- Time and resources available for the study was also limited.
- The reliability of information is based on the respondent's opinion about investment avenues and risk relating to it.
- The study is on the assumption that the respondents have given correct information.

## ANALYSIS OF DATA

### Income groups of private sector employees with regards to preferred investment avenues.

$H_0$ : There is no significant difference between income groups of private sector employees with regards to preferred investment avenues.

$H_1$ : There is significant difference between income groups of private sector employees with regards to preferred investment avenues.

**Table 1: Difference between income groups of private sector employees with regards to preferred investment avenues.**

### ANOVA

	Sum of Squares	df	Mean Square	F	Sig.	Sum of Squares
Bank Deposit	Between Groups	2.751	3	.917	.022	.485
	Within Groups	97.095	87	1.116		
	Total	99.846	90			
Post office savings	Between Groups	6.240	3	2.080	.030	.058
	Within Groups	65.853	82	.803		
	Total	72.093	85			

Chit funds	Between Groups Within Groups Total	1.100 74.438 75.538	3 87 90	.367 .856	.029	.733
Insurance schemes	Between Groups Within Groups Total	.374 75.848 76.222	3 86 89	.125 .882	.014	.935
Provident fund	Between Groups Within Groups Total	2.031 99.475 101.506	3 85 88	.677 1.170	.039	.631
Mutual fund	Between Groups Within Groups Total	2.315 93.213 95.528	3 85 88	.772 1.097	.043	.552
Shares and debentures	Between Groups Within Groups Total	3.237 112.521 115.758	3 87 90	1.079 1.293	.034	.479
Real estate	Between Groups Within Groups Total	3.356 76.693 80.049	3 78 81	1.119 .983	.038	.339

### Inference

Since the p value of preferred investment avenues such as Bank Deposit, Post office savings, Chit funds, Insurance schemes, Provident fund, Mutual fund, Shares and debentures, Real estate are less than 0.05, Thus the Null Hypothesis ( $H_0$ ) is rejected at 5% significant level. So the researcher finds that there is a significant relationship between income groups of private sector employees with regards to preferred investment avenues such Bank Deposit, Post office savings, Chit funds, Insurance schemes, Provident fund, Mutual fund, Shares and debentures, Real estate.

### FRIEDMAN TEST

$H_0$ : *There is no significant difference between the mean rank towards the objectives of investment for private sector employees.*

$H_1$ : *There is significant difference between the mean rank towards the objectives of investment for private sector employees.*

**Table 2: Objectives of investment for private sector employees.**

Variables	Mean Rank	Chi- square	P -value
Capital Formation	1.64	101.295	.001
Tax Benefit	1.57		
Regularity of Income	3.65		
Meeting Future Needs	3.84		
Child Education	2.73		
Safe Deposit for Old Age	1.73		
Cop Up With Inflation	1.23		
Meeting Emergencies	2.89		

**Interpretation**

Since the p-value .001 is less than .01 the null hypothesis is rejected at 1% level of significance, hence concluded that there is significant difference between mean ranks towards the objectives of investment for private sector employees.

From the above table understand the main objective behind investment is to meet future needs and for the regularity of income. Among these variables to meet future needs is having the largest mean score (3.84) followed by regularity of income (3.65), to meet emergencies (2.89) for their child education (2.73) safe deposit for old age(1.73) capital formation(1.64) tax benefit(1.57) and least one is for cop up with inflation(1.23) .

**Factors Affecting Investment Decision of Private Sector Employees.**

*H<sub>0</sub>: There is no significant difference between the mean rank towards the factors affecting investment decision of private sector employees.*

*H<sub>1</sub>: There is significant difference between the mean rank towards the factors affecting investment decision of private sector employees.*

**Table 3: Factors affecting investment decision of private sector employees.**

Variables	Mean Rank	Chi- square	P -value
Stability of Return	3.64	103.295	.001
Capital Appreciation	2.57		
Tax Benefit	1.65		
Risk	1.34		
Liquidity	1.73		
Maturity	2.73		
Profitability	3.23		

## Interpretation

Since the p-value .001 is less than .01 the null hypothesis is rejected at 1% level of significance, hence concluded that there is significant difference between mean ranks towards the factors affecting investment decision of private sector employees.

From the above table understand that the major factor affecting investment decision is the stability of return(3.64) and profitability(3.23), followed by maturity period(2.73), capital appreciation(2.57), liquidity(1.73), tax benefit(1.65) and the last factor is the risk(1.34).

## FINDINGS

- Out of various investment avenues, the mostly preferred avenues are Bank Deposits and Insurance Schemes.
- The least preferred investment avenues are Mutual Fund Schemes and Shares and Debentures.
- The major factors affecting investment decisions are Stability of return, Maturity period of investment and Profitability.
- Lack of Awareness about investment, Lack of suitable investment avenues, Cost of investment are the major problems faced by the investors during their investment.
- The main objectives behind investment are Regularity of income, Meeting future needs, Meeting Emergencies.

## SUGGESTIONS

- The major problems faced by investors are Cost of investment, Lack of awareness, Less return, Poor service etc. In order to overcome this government should make reasonable measures.
- Conducting more workshops and seminars to provide maximum information with regard to various investment opportunities.
- New saving schemes are to be arranged for private employees to promote their saving habits.
- Government should take necessary steps to ensure the quality of service offered to the investors
- Lack of legal support is one of the major problem faced by the investors, so government should provide a Legal Framework during problems.

## CONCLUSION

Savings is the amount set apart by a person for the future and it has to be invested in order to have a secured future. Majority of the employees are satisfied with their various investment alternatives. Most of the respondents will give more preference to safety of the investment and making investment on the basis of own analysis. So they will select bank deposit, provident fund and insurance schemes etc for making investment. On the basis of the study, it can be concluded that private employees generally give importance

to savings and investment and majority of them are comfortable with bank deposits as they are keen on avoiding the risk.

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