A Empirical Study Related To Preference of Salaried Individuals towards Different Investment Avenues

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ABSTRACT

The financial knowledge about the various financial products and services impact the understanding, preference and behaviour of the various salaried individuals towards them. The anticipation of such preferences towards these products and services becomes really important for the growth of business of these products and the market structure accommodating the salaried individuals who are the key part of this society an plays a major role. This research paper covers the most of the investment options available in the market such as share, debentures, term deposits, insurance, mutual funds, real estate etc. and the factors influencing the investment behaviour of salaried individuals towards them. In this paper major factors such as demographic, socio economic factors etc influencing the investment decisions of salaried individuals have been covered. Through this study its being trying to drive a medium to understand the sense of judgement of the various financial objectives of the salaried class people with their determination of the desire for the investment returns over various investment avenues available in the market. Further this information could help to unwrap the various prospects for predicting the preferences towards various investment avenues available and the future of various financial players in the market and the Indian Economy.

Key Words: Financial Knowledge, Investments, salaried class people, Investment avenues.

1.INTRODUCTION

In the era of such dynamic financial markets and economy, it becomes important to know the need and objective while making investment and understanding the need for these investments to monitor the returns on it. Investors in this era are mostly attracted by the various promises of attractive returns on the various investing avenues available in the market and are also taken by the peer pressure and family pressure. It takes a great deal to understand what does an investor think about the investment, perceive and act so that the avenues available for the investment can be altered as per the investing requirement, so that it further adds to establish a fruitful return in the future course of time as per there need. An investor shows positive attitude towards the available avenues whose return are closer to the investor's objective and vice versa. There may or may not different kind of factors associated with investment decision of salaried class people to invest in various investment avenues available in the market. The different demographic and socio economic factors affecting such decisions are discussed in the further sections of the paper. With study we try to find out answer as how does the gender of the investor affects its preference and objective towards the investment made by them

1.1 INVESTMENTS

In the financial term the word investment can be explained as the purchase of any financial asset or some other kind of asset with some financial value with an anticipation of favourable forthcoming returns on it in future course of time. Investment can also be understood as an asset or an item acquired by an individual, group or institution with an aim of generating income or appreciation of the existing wealth.

The concept of investment is very closely related in the financial and economic sense because the various kind of investments are considered to be the part of saving reserve of an individual investor which flows in the capital market directly or indirectly with the help of some financial institutions present in the market to bridge such savings and allow some returns on it. Thus, investment decisions and financial decisions also becomes very important to talk about as they related with each other at every stage of investment. All the financial decisions to be taken are concerned with the different type of sources of funds available in the market for the soul purpose on the other hand investment decisions are concerned with the traditional budgeting and with usage of funds in different stages of investments avenues available.

1.2 INVESTMENT AVENUES

Investment Avenues are the different type of investment options available in the market for the investors to park their funds available with them with the soul aim of having some returns in the future course of time. Different types of investment

avenues have different features; for example some avenue offers a secure and fixed return and on the other hand some offer returns based on stock market which are variable in nature and some of them offer a combination of these two which holds moderate risk. Some of the investment avenues available have a component of safety and some others do not have any component of safety i.e. they are highly risky in nature. Some of the avenues are in negotiable form and some other are in are non-negotiable form. Investment avenue of the economy are related with the different rules and regulations of the government or of some governing body like RBI, NABARD, SEBI or like Companies Act in India. Some characteristics of the investment avenues available in the market are as follows:

- An option where individuals can easily park their funds and earn return over it.

- Fixed returns or variable returns

- Secured and unsecured form

- Negotiable and non-negotiable

- Risk measure

- Availability in the organized and the unorganized form

- Regulations in the economy

- Market orientated vs. others

1.3 TYPES OF INVESTMENT

1.4 INVESTMENT OBJECTIVE

Investing money or parking of one's fund is a type of an art and many of the individuals would have made their own lucks in this practice. The focus of this process is to determine the features of the different investment avenues available in the market and then relating them with the individual's preferences and aims. All the private investing is planned by different investors are in a particular direction to achieve their definite goals. These goals might be associated with the aim of owning tangible assets such as buying house, car etc. or they might be associated with some intangible assets like social security, status etc. likewise; these individual goals can also be categorised as the personal or financial objective. The Financial goal of investor's are associated with liquidity, safety and profitability. The various personal goals of the individual are associated with the personal traits of every individual such as family needs or family commitments, dependents in the family, status of the family, educational wants of the investor, income of the investor, provision and consumption for retirement of investor etc.

These various goals of different individual investors can be studied under the following:

- Short term & high priority objective
- Long term & high priority objective
- Low priority objective
- Money making objective

2. REVIEW OF LITERATURE

(Devi, 2015) All investor are different from each other in lieu of various demographic factors. The focus of the government should be to design some policies to motivate individuals to invest more of their surplus money or savings which they usually keep with themselves at home or in banks as savings for the uncertain and unseen future needs. **(M.V.Subha, 2015)** This study indicates at the individuals who possess a moderately fair level of basic financial and monetary knowledge but there is still need to increase the financial knowledge and the tax knowledge of all the investors related to the markets and financial returns. **(C.Sathiyamoorthy & K.Krishnamurthy, 2015)**This study tries to talks about the various traditional investment avenues like bank deposits which still remain the most popular and secured type of investment avenue available in the market for the various households and the main aim of these type investments is to use the funds for the children's marriage, education or even for the sake of financial security after retirement. **(P.Sasirekha & U.Jerinabi, 2015)** In this era the various new age financial products which are very popular and easily available in the market; to the salaried individuals they must have some understanding and knowledge on the various and overall investment pattern and options which affects not only their overall portfolio but does affect the overall growth as well. **(Sood & Kaur, 2015)** This research it was summarised that the most preferred and popular investment avenue were bank deposits and LIC and out of them the most of the factors which influenced the investment decision of the individuals was, tax benefit, safety and high returns**. (Cvrlje, 2015)** In this research the researcher had studied about the change need to be altered about the perspective of the individuals instead of simply pushing individuals towards the various investment and financial products by the noncompliance of the government and they should also try to provide the individuals with some motivation to actively try and participate in taxation and financial literacy area. **(Shivakumar & Thimmaiah, 2015)** In this research the majority of the respondents taken for the study agreed that the risk coverage of their surplus funds and their children education are the main goal of their

investment decisions. **(Kothari, 2014)** In this study it was found out that majority of the younger and millennium people were much more interested in making different types of investment in comparison to the most of middle and elder age people as they have different concept of investment and relay on most of the traditional options available. So it was concluded that the different age group have different perception towards the concept of investment. **(Bhushan, 2014)** The higher financial literate groups have high level of awareness for all the different financial assets apart from the post office savings as was popular and preferred by most of the employees in public sector.

3. RESEARCH METHODOLOGY

C.C. Crawford (2011) defines research as a systematic and refined technique of thinking, employing specialized tools instruments and procedures to obtain a more adequate solution to a problem. According to Clifford Woody, the research comprises problems definition and redefinition, hypothesis formulation or coating solutions; data collection, organizing and evaluation of data; making deductions and making conclusions; and reaching conclusions; and the final stage is to perform testing of conclusions derived so as to know whether they fit the hypothesis formulated.

3.1 OBJECTIVES OF THE RESEARCH

O1.   To determine the preference of different salaried individuals regarding the investment avenues and sectors available in the market on the basis of their gender.

O2.   To study the impact of the various investment avenues on the level of satisfaction derived by salaried individuals.

3.2 HYPOTHESIS OF THE RESEARCH

H0:   There is no significant difference between investment avenues preferred by salaried individuals on the basis of their gender.

H0:   There is no significant impact of the various investment avenues on the level of satisfaction of salaried individuals.

3.3 RESEARCH DESIGN

This research is descriptive and empirical in nature as it takes both into account i.e. the details of the various demographic and socio economic factors and the analysis of the paper is based on the primary data collected through questionnaire.

3.4 DATA COLLECTION

The data for this research paper was collected through both primary source and secondary source. Primary data was collected through first hand with the help of questionnaire and surveys. The secondary data was collected through various reports, journals and website.

3.5 UNIVERSE OF THE STUDY

The universe of the study was taken as the population of individuals working in both the public and private sector.

3.6 POPULATION OF THE STUDY

The population of the study was taken as the growing working population of both public and private sector between 18 to 60 years.

	Sampling Process Undertaken	
1.	Identifying the Target population	Salaried Individuals
2.	Specifying the sampling frame	Tier I & Tier II cities of India
3.	Specifying the sampling Unit	Salaried Individuals of Tier I & Tier II cities of India working in public and private sector.
4.	Specifying the Sampling Method	Convenience Sampling.
5.	Determination of the sample Size	Krejcie Morgan formula: 384 Respondents

3.7 SAMPLE SIZE

The sample size of the above study was calculated through Morgan Formula which came out to be 384. The total questionnaire were distributed to 400 different respondents out of which only 391 could be used for the further research.

3.8 RELIABILITY OF THE DATA

The reliability for this study was checked with the help of Cronbach's Alpha on the pilot data of 50 respondents and came out to be 0.949.

Reliability Statistics		
Cronbach's Alpha	N of Items	sample size
0.949	105	50

4. DATA ANALYSIS AND INTERPRETATION

In this research paper the hypothesis were framed and were tested with the help of various statistical methods using SPSS22.

Hypothesis 1:

H0: There is no significant difference between investment avenues preferred by salaried individuals on the basis of their gender.

Ha: There is significant difference between investment avenues preferred by salaries individuals on the basis of their gender.

Mann-Whitney Test

Ranks				
	Sex	N	Mean Rank	Sum of Ranks
Investment Avenues	Female	200	178.06	35611.50
	Male	191	214.79	41024.50
	Total	391		

Source: Processing of Primary Data in SPSS

In the above table the descriptive statistics using mean ranks, and sum of rank is shown. The mean ranks and sum of rank of the above stated variables i.e. for the investment avenue for the females is 178.60 and 35611.50, whereas for the males is 214.79 and 41024.50.

Test Statistics

	Investment Avenues
Mann-Whitney U	15511.500
Wilcoxon W	35611.500
Z	-3.237
Asymp. Sig. (2-tailed)	.001

Source: Processing of Primary Data in SPSS

From the above table it can be inferred that the sig. value is .001 which is less than 0.005 which means that there is a statistical significant difference in mean perception regarding the various investment avenues available in the market of both the males and females salaried individuals in case of various investment avenues. It was more in male salaried individuals than in female salaried individuals.

Hypothesis 2:

H0: There is no significant impact of the various investment avenues on the level of satisfaction of salaried individuals.

Ha: There is significant impact of various investment avenues on the level of satisfaction of salaried individuals.

Model Summary

Model Summaryb				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.882	.778	.772	.42706

Source: Processing of Primary Data in SPSS

It is evident from the above given table of model that the summaryb, the value of R^2 is calculated as 0.778 which means that the various investment avenues available in the market explain 77.8% variability with the significant effect on the overall satisfaction derived by the various salaried individuals.

ANOVA

ANOVAb						
	Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	242.897	9	26.989	147.977	.000
	Residual	69.488	381	.182		
	Total	312.384	390			

Source: Processing of Primary Data in SPSS

From the above table of the ANOVA, the F-ratio tests that the regression model is found to be good fit for the data. The above table also explains that investment avenues available in the market for the various salaried individual investors (independent variable) statically significantly predict the overall satisfaction of salaried individuals (dependent variable). From the above table it can be seen that the sig. value (p value) which is 0.00 means less than 0.05 which further means that the regression model is fit for the above data.

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
(Constant)	.329	.179		1.841	.066	-.022	.680		
Debenture & Bonds	.031	.032	.037	.966	.335	-.032	.095	.399	2.504
Gold Silver Market	.040	.031	.043	1.303	.193	-.020	.100	.530	1.886
Shares & Equities	.361	.040	.383	9.031	.000	.283	.440	.325	3.080
Mutual Funds & SIP's	.216	.055	.163	3.966	.000	.109	.324	.346	2.892
Insurance Policies	.010	.063	.008	.161	.872	-.114	.134	.240	4.167
Post Office & Small Savings	.164	.046	.143	3.576	.000	.074	.254	.364	2.749
Fixed Deposit & Debt Funds	.017	.030	.024	.581	.562	-.042	.077	.336	2.978
Pension Funds & Provident Funds	.109	.032	.161	3.414	.001	.046	.172	.262	3.813
Real Estate	.725	.036	.725	20.158	.000	.654	.796	.451	2.216

Source: Processing of Primary Data in SPSS

From the above table for testing and knowing the statistically significant value of each of the independent variables, p value and the t value stated in the sig column which presents that the significant relationship between all the investment avenues available in the market and the overall satisfaction derived by salaried individuals from investment. An unstandardized coefficient specifies that how much the dependent variable differs with an independent variable when all of the other independent variables are constant. From the above table it is clear that the significance value of shares & equities, Mutual Funds & SIP's, Post Office & Small Savings, Pension Funds & provident Funds and Real Estate is less than 0.05 which shows that null hypothesis (H0) is rejected and the alternate hypotheses (Ha) is accepted. But for some the variable the sig value is more than 0.05 i.e. for Debenture & Bonds it is 0.335, Gold Silver Market it is 0.193, Insurance Policies it is 0.872 and for Fixed Deposits & Debt Funds it is 0.562 so in this case null hypothesis is accepted.

5. CONCLUSION:

- Out of the respondents taken for the study were females. Out of all the salaried individual taken for the study most of them were post graduate or were atleast undergraduate.

- It was concluded from the above study that majority of the respondents had 3 or more than 3 dependents in their family. While 37.85% of them had only 2 earning members in the family.

- It was also concluded from the above study that majority of the respondents invest only 30% out of their total savings.

- Out of all 38.36% of the respondents said that they have fair knowledge of investment, 51.92% of them make their investments online and out of all 62.15% of them make their decisions regarding saving and investment based on new generation pattern.

- Moreover out of all the investment avenues available in the market for the investment, fixed deposit was found to be most popular among all the salaried individuals and banking sector was the most popular sector investment among all the salaried individuals.

6. SUMMARY

- The financial institutions present in the country should focus on enhancing the financial knowledge of the individuals through various workshops, seminars and forums.
- Online training should be provided to all the individuals to be working in both public and private sector.
- Different types of seminars should be organised by the government and the organisations to enhance the financial literacy and the tax literacy of the salaried individuals working in all the sectors throughout the country.
- Measures taken by different organisation should not only be for the top management but measures should be taken to enhance the financial literacy for the individuals working on middle level and floor level as well.

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