"An empirical study on investment pattern of salaried people in Davangere city"

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Abstract:

Investment is always interesting, challenging and rewarding. Generally where there is a high risk, there is a more rate of return is assured. So, it is necessary to save the money in order to make the investment and the savings of an individual is kept as the saving which can be utilized for the future requirements. So, every investment teaches how we can use our accumulated asset to earn a monitory return in exchange for waiting to spend those assets on consumption and various factors are going to be influenced the salaried people to invest their savings into the various investment avenues.

Keywords: Savings, Investment, uncertainty, Risk and Return.

Introduction:

"The highest use of capital is not to make more money, but to make money do more for the betterment of life". -Henry Ford.

An investment is a commitment of funds which have been saved from current consumption with the hope that some benefits will accrue in future. Investment is considered to be transfer of financial asset from one person to another. Investments have a return but they can be no return without risk. Hence, investment has to be analyzing according to their risk and return. This study aims to understand the behavioral pattern of investment among the salaried people working in private sector or govt. sector or any other and the difference in perception of an individual relates to various investment alternatives. It also aims to provide an insight into factors considered for an appropriate investment gives a wider scope to understand various issues related to investment by salaried people.

Objectives of the study:

1. To analyze the investment pattern of investors among salaried people in Davangere City.
2. To evaluate various factors influencing the investment decisions of the investors.
3. To identify the problem faced by the investors while investing.
4. To study the level of satisfaction by the investors

Review of literature:

1. Deepak Sood and Dr. Navdeep Kaur (February 2015) "A study of savings and investment pattern of salaried class people with special reference to Chandigarh (India)". These authors explain how savings helps more for people and their main objective is to determine the relationship between the savings and investment pattern among salaried people. They give a more importance for the way of investment. Because, spending all your money is not a smartest thing to do and making savings will helps foe future uncertainties and also the risk factor and stress will be less. And they give more importance for planning.

2. **Prof.C.A Yogesh P.patel and Prof. C.C Charul Y.patel (October 2012)** "A study of investment perspective of salaried people (pvt. Sector)". This research aims to study and understand the behavioral pattern of investment among the salaried people working in private sector and the authors are mainly concentrate on youth's and the Indian youth's are

intelligent and they never invest their money in the banks instead of investing in various alternatives which going to earn or provide maximum tax rebate and more profit and they compare the traditional investment pattern and modern one.

3. Mr. C Sathiyamoorthy and Dr. K. Krishnamurthy (April 2015) "Investment pattern and awareness of salaried class investors in Tiruvannamalai district of Tamilnadu".The main objective of this study is to know the factor motivates to investor for investment and to the portfolio of salaried class people and build awareness regarding different investment patterns.

While taking a decision relating to investment some certain factors like, Education levels of investors, Age, Number of family members etc.., are going to plays a very important role and here the awareness about various investment avenues are less for that reason many salaried investor prefer Bank Deposit, Insurance Policy and government Securities as the investment option and many salaried people will look after the safety of their investment rather than high return.

4. **Sonali Patil and Dr. Kalpana Nandawar (October 2014)** "A study on preferred avenues among salaried people with reference to Pune, India".The study on preferred avenues among salaried people has been undertaken with the key objectives such as to find preferred investment avenues and also to know the awareness levels of investors. Investment is always interesting, challenging and rewarding. Generally where there is a high risk, there is a more rate of return is assured.

5. Dr. Bhawan Bhardwa, Dr. Nisha Sharma and Dr. Dipanker Sharma (march 2013) "Income, Saving and Investment pattern of employees of Bahra University, Solan".The study has been undertaken on the employees working in Bahra University and knows their consumption, their capacity and savings. The three variables that measure the growth of an economy are income, savings and investment and making a proper investment it considers both risk of principal and return the investor so for this reason the study about various alternatives avenues of investment is necessary. Here the employees are investing in Jewellery, Gold, Land and Building because they feel it's a safe investment. Apart from this the employees have been largely investing especially in Bank Deposits and Post Office Schemes.

6. Dr. R Ganapathi. "Investment patter of government employees in Madurai City" (October 2014). Here the study is mainly focused on government employees to examine the investment pattern of government employees in Madurai. So, if the savings of an individual is kept as the saving which can be utilized for the future requirements. If the saving of an individual is kept in home or locker, there will not be any return from the savings instead of keeping the savings idle without any income if it is invested in the outside, adequate income may be generated from the savings and here they gave importance for the Time Value Of Money, which signifies that "a rupee today is worth more than tomorrow".

Methodology of the study:

The study is focused on collection of primary data from the field. The secondary data is used to draw a general background and overall scenario in a cross states context. The validity of any research is based on the systematic method of data collection and analysis of data collected. The study is based on data collected from individual investors in Davangere City. The sampling technique followed in this study is probability sampling, simple random techniques are used to select the respondent from the available database.

a) Primary Data: Primary Data is a First Hand Data. It also called as a pure data, as it is collected for the first time directly by the researcher from respondents
b) Secondary Data: Secondary Data are those already in existence and which has been collected for some other purpose.
c) Sampling Unit: sampling unit implies that who are the respondents from the salaried class people/investor.

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d) Sample size: It is taken to be 50 for convenience.
i.e. 50 people fill the questionnaire for the survey.
e) Sample design: Since the information was to be taken from investors a questionnaire was prepared for studying the savings habits and investment pattern of salaried class people at Davangere City.
f) Tools: A questionnaire was framed consisting of 29 closed end questions and open end questions covering the personal and demographic profile. The awareness related to methods, modes, reasons of savings and investment and other related data were collected.
g) Data collection source: The study is based on both secondary and primary data. The secondary information is collected from different published materials viz.., Books, Journals, Websites etc. and primary data collected by communicating with respondents through a structured questionnaire.
h) Analysis to be used: Diagrams and Tables are used to describe the performance of different financial instruments.

Scope of the study:

This study is focusing on the preference of investments by salaried class people and it will be helpful to identify the better investment options in the markets.

Hypotheses of the study:

1. There is no significant relationship between Investment Awareness and Gender.
2. There is no significant relationship between Investment Awareness and Age Group
3. There is no significant relationship between Investment Awareness and Education.
4. There is no significant relationship between Investment Awareness and Occupation.

Statement of the problem:

Saving is not only important for the individual but also for the whole economy. Investment has been an activity confined to the rich and salaried class in the past. But, today it finds that investment has become a household world and is very popular with people from all walks of life. Generation of savings and its conversion into capital is fundamental to the theory of economic growth. The volume and composition of savings are important in the process of economic development of any nation. Savings in the form of financial assets derives its importance in a developing country like India on the ground that these savings can be channelized for capital formation.

The investors are finding various problems in selecting their various investment avenues. It is identified that there is a need for research work in the field of investment pattern and awareness of salaried class investors in Davangere City.

Limitations of the study:

1. The study shall be limited to salaried people.
2. The study is limited to Davangere City.
3. The sample size is confined to which may not be sufficient to reflect true picture of the investors attitude.

Concepts:

Savings Meaning:

In deposit terminology, the term Savings refers to money set aside for the purpose of future use. Savings generally represent only one part of individual's assets and, unlike investments; they usually have a minimal exposure to risk.

Definition of 'Savings'

According to Keynesian economics, "the amount left over when the cost of a person's consumer expenditure is subtracted from the amount of disposable income that he or she earns in a given period of time".

Meaning of Investment:

Investment is the application of money for earning more money. Investment also means savings or savings made through delayed consumption.

Investment is a commitment of a person funds to derive future income, in the form of interest, dividends, rent, premium, pension benefits or the appreciation of the value of their principal capital.

Investment is an attempt to carefully plan and evaluate and allocate funds in various investable outlays, which offers safety of principal, moderate and continuous return and long term commitment.

Definition of investment:

According to economics, investment is the utilization of resources in order to increase income or production output in the future. An amount deposited into a bank or machinery that is purchased in anticipation of earning income in the long run is both examples of investments.

Factors influencing people to save:

Some of the factors that influence people to save money are as follows:

1. **Income:** As with consumption, the main influence on saving is disposable income. As disposable income rises, the total amount saved and the proportion saved (the savings ratio) increases.
2. **Wealth:** The wealthier people are, the easier they will find it to save
3. **The rate of interest:** A rise in the rate of interest may reduce some target saving as people can now attain their target amounts by saving less. Overall it is likely to increase non-contractual saving as it pushes up the reward for saving.
4. **The tax treatment of savings:** Tax concessions on the income earned from saving will encourage people to save. In a number of countries there are some free schemes where no tax is charged on the interest earned.

Investment strategies:

Once you have a better understanding of the investment choices available, you may come across specialized terms that explain how money can be invested:

1. **Allocation of investments**: Also known as asset allocation, this term refers to the types of investments/asset categories you own and the percentage of each you have in your investment portfolio.
2. **Diversification:** This is a risk management technique that mixes a wide variety of investments to potentially minimize your investment risk.
3. **Dollar cost averaging**: An investment strategy used whereby an investor purchases fixed investment amounts at predetermined times, regardless of the price of the investment. This strategy minimizes risk because it reduces the difference between the initial investment and the current market value over a long enough timeline.

Sample of Demographic Information about people at Davangere

Demographic variables	Particulars	Total	Percentage (%)
Gender	Male	36	72
	Female	14	28
Total		**50**	**100**
Age(Years)	15-30	26	50
	30-45	10	20
	45-60	14	28
	60&Above	0	0
Total		**50**	**100**
Marital Status	Married	29	58
	Unmarried	21	42
Total		**50**	**100**
Educational Qualification	10th Standard	1	2
	12th Standard	10	20
	Graduate	18	36
	Post Graduate	21	42
Total		**50**	**100**
Occupation	Govt. Employee	12	24
	Professional	16	32
	Pvt. Firm Employee	3	6
	Business	12	24
	Other	7	14
Total		**50**	**100**
Annual Income	Below 1lakh	10	20
	1-3lakhs	24	48
	3-5lakhs	12	24
	5lakhs & above	4	8
Total		**50**	**100**

Source: Field Survey

Analysis and interpretation:

**Classification of Respondents On The Basis Of Their Gender**

The investment pattern of the respondents varies according to their gender. The male respondents are risk takers expecting higher return while female respondents are averse.

Table 1: Classification of Respondents On The Basis Of Their Gender

GENDER	NO. OF RESPONDENTS	PERCENTAGE (%)
Male	36	72
Female	14	28
TOTAL	**50**	**100**

Source: Field Survey

Graph1: showing Classification of Respondents On The Basis Of Their Gender
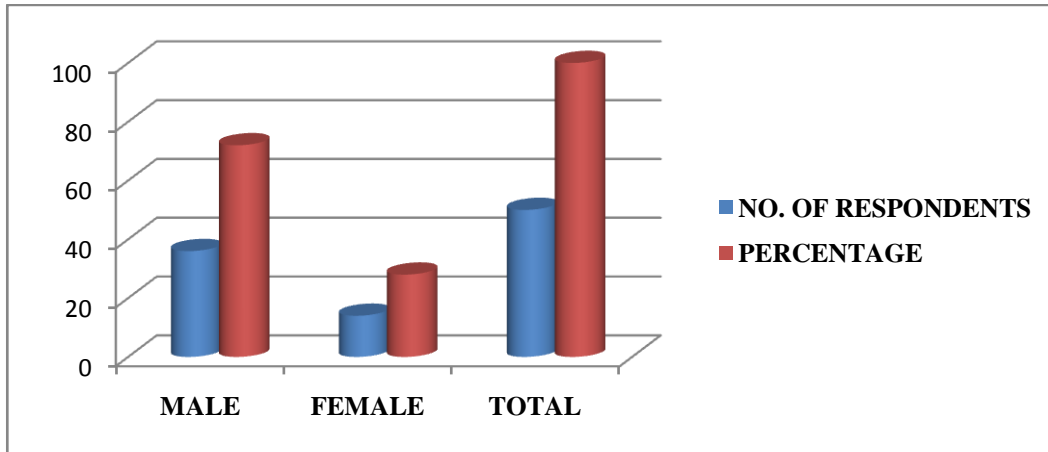
Source: Field Survey

From the above Table and Graph shows that 36 respondents out of 50 respondents are male and 14 respondents are female, that is 72% and 28% respectively. Nearly two-third of the respondents are male. Because, majority of male respondents gets job and saving their money as compared to female respondents.

**Classification of Respondents On The Basis Of Their Age**

The age level of an individual plays an important role in the investment decision. Young age groups are risk taking while old age groups are risk averse. Young age people invest in luxury commodities while the old age people mainly take into considers the risk cover factor.

Table 2: Classification of Respondents On The Basis Of Their Age

AGE	NO. OF RESPONDENDS	PERCENTAGE (%)
15-30	26	52
30-45	10	20
45-60	14	28
60 & Above	0	0
TOTAL	**50**	**100**

Source: Field Survey

Graph 2: Classification of Respondents On The Basis Of Their Age
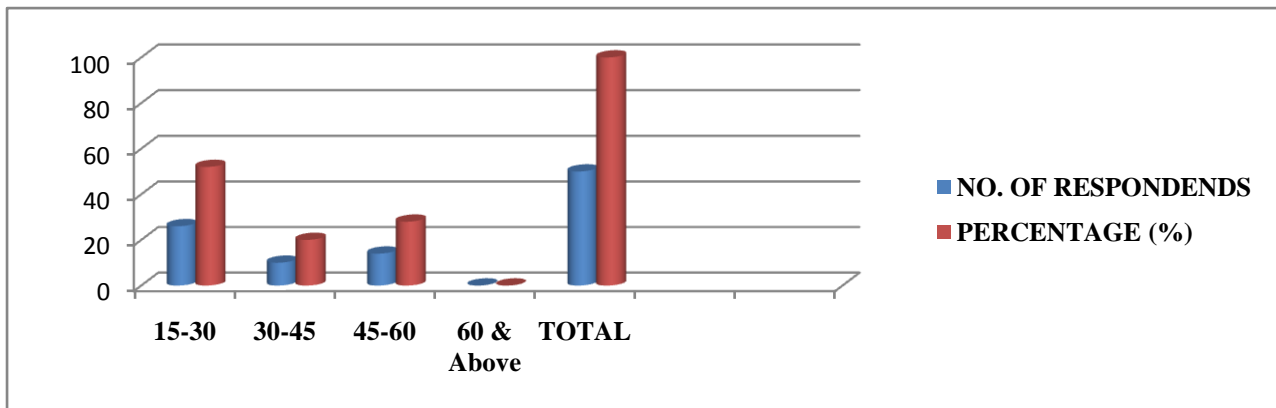
Source: Field Survey

From the above Table and Graph its observed that 26 respondents out of 50 respondents are between 15-30 years of age (Young), 10 respondents are between 30-45 years of age (Middle-aged), 14 respondents are between 45-60 years of age (Old) and no respondents are in 60 and above age. Here 52% of respondents are young, 20% of respondents are middle-aged and 28% are old-aged people. Youngsters are always looking for risky jobs and they invest their savings in riskier avenues as compared to other aged respondents.

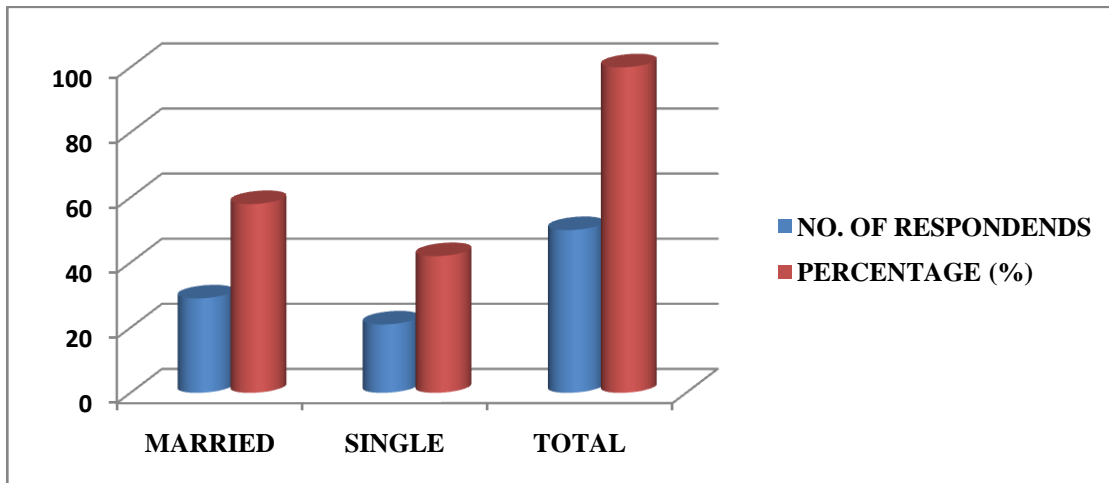**Classification of Respondents On The Basis Of Their Marital Status**

Table 3: Classification of Respondents On The Basis Of Their Marital Status

Marital status of the respondents has its effect on the investment decisions. Family members expect a regular return on the investment, while single spend on luxuries and married person have more response in the family and thus their investment pattern varies differently.

MARRITAL STATUS	NO. OF RESPONDENDS	PERCENTAGE (%)
Married	29	58
Single	21	42
TOTAL	**50**	**100**

Source: Field Survey

Graph 3: Classification of Respondents On The Basis Of Their Marital Status

Source: Field Survey

It is observed from table 4 and graph 3, 29 respondents out of 50 are married and 21respondents are single i.e. 52% and 48% respectively. In case of married respondents they are going for riskless security to invest their savings. But, in case of unmarried respondents they have less responsibility of family so they seeking high return and high risk security to invest.

Classification of Respondents On The Basis Of Their Educational Qualification

Education shapes a person and thus improves thinking and reasoning power. Thus educational qualifications of the respondents have an impact on the pattern of investment

Table 4: Classification of Respondents On The Basis Of Their Educational Qualification

EDUCATION QUALIFICATION	NO. OF RESPONDENTS	PERCENTAGE (%)
10th Standard	1	2
12th Standard	10	20
Graduate	18	36
Post Graduate	21	42
TOTAL	**50**	**100**

Source: Field Survey

Graph 4: Classification of Respondents On The Basis Of Their Educational Qualification
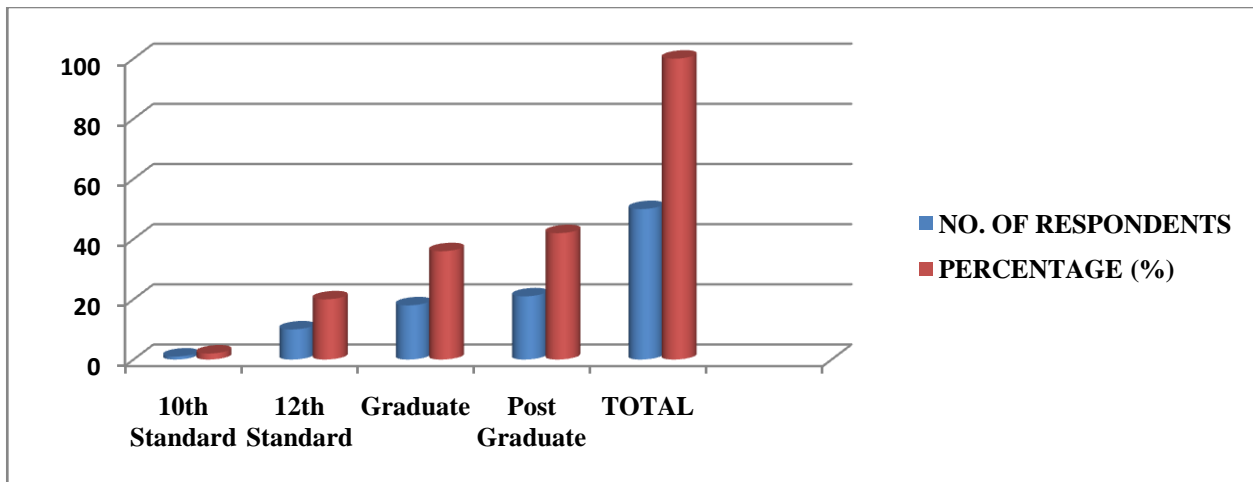
Source: Field Survey

The table and Graph depicts that 21 respondents out of 50 are Post Graduate, 18 respondents are Under Graduate, 12respondents are 12th Standard and only 1 respondent have studied School. I.e. 42%, 36%, 20% and 2% respectively. Hence, education plays important role in savings. The Post Graduate and Graduate are having a better knowledge about investment avenues.

**Classification of Respondents On The Basis Of Their Occupation**

The occupations of the respondents have impact on the investment decisions of them. High authorities take more risk in their investment than the other and basis of their nature of occupation their investment will depends.

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Table 5: Classification of Respondents On The Basis Of Their occupation

OCCUPATION	NO. OF RESPONDENDS	PERCENTAGE (%)
Govt. Employee	12	24
Professional	16	32
Private firm employee	3	6
Business	12	24
Other	7	14
TOTAL	**50**	**100**

Source: Field Survey

Graph 5: Classification of Respondents On The Basis Of Their occupation
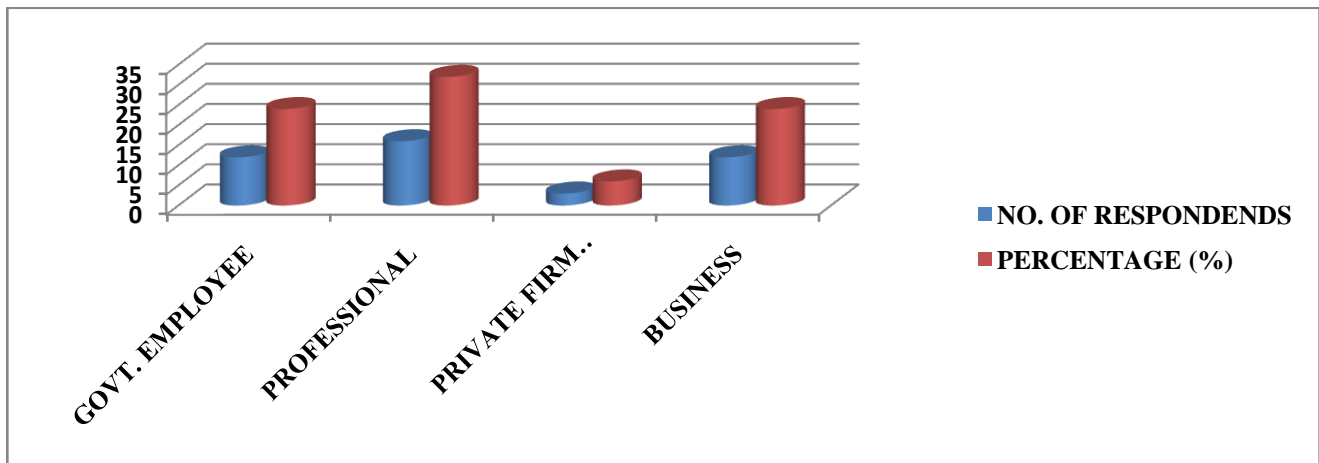
Source: Field Survey

It is observed from the table and graph that out of 50 respondents 12 of them is Government employee (24%), 16 respondents are professional (32%), 3 respondents are Pvt. Firm Employee (6%), 12 respondents are Business persons (24%) and 7 respondents are having other occupations (14%) . the designation is also important in case of savings and investment.

**Classification of Respondents On The Basis Of Their Annual Income**

Monthly income of the respondents is the remuneration, which he / she receives as a reward for his / her work and the surplus money, which he / she after consumption is invested. The more he / she earns, the more he/she invests.

Table 6: Classification of Respondents On The Basis Of Their Annual Income

ANNUAL INCOME	NO. OF RESPONDENDS	PERCENTAGE (%)
Below 1lakh	10	20
1-3lakhs	24	48
3-5lakhs	12	24
5lakhs &above	4	8
TOTAL	**50**	**100**

Source: Field Survey

Graph 6: Classification of Respondents On The Basis Of Their Annual Income
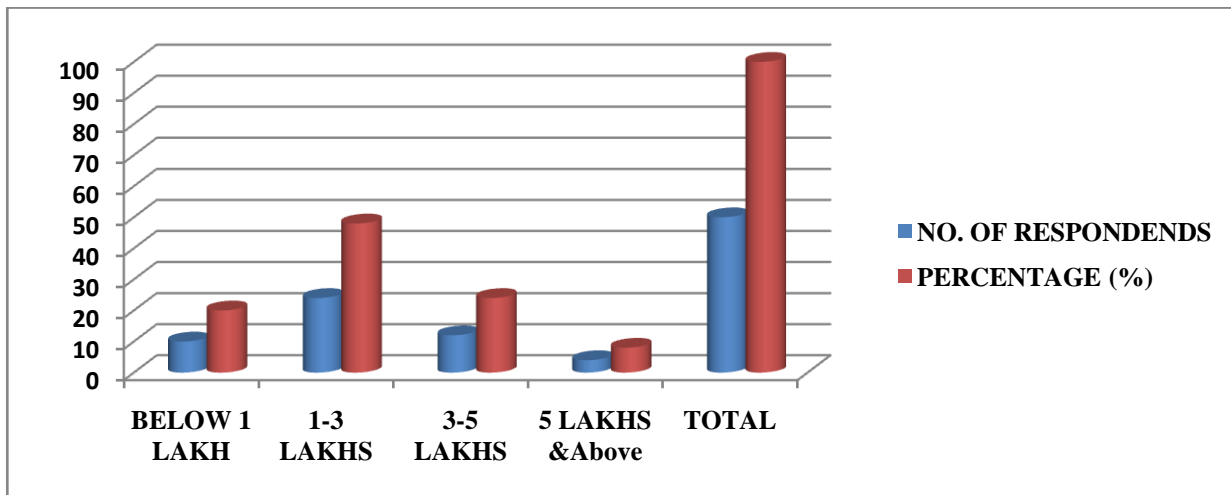
Source: Field Survey

Table 7 and Graph 6 shows that out of 50, 10 respondents earn Rs.1lakhs per annum (20%), 24 respondents are earn between 1-3lakhs per annum(48%),12 respondents are earn between 3-5lakhs per annum(24%) and 4 respondents are earn between 5lakhs and above(14%). To investment means, it requires some amount of savings. So, it will be generated through annual income hence, this is one of the factors which are going to be influenced.

Findings:

1.   Out of 50 respondents, 36 are Male and 14 are Female. And 26 of them lies between 15-30 years old, 10 of them lies between 30-45 and 14 of them lies between 45-60 years of age.
2.   Out of total respondents, only one of them is 10thStandard, 10 of them are 12th Standard, 18 of them are Graduate and 21 of them are PostGraduate.
3.   Majority 50% of respondents' annual income lies between 1-3lakhs.
4.   Majority of the respondents are tax payer i.e. 65% of respondents and 35% are non tax payer
5.   Out of total respondents, 25 of them saves between 0-20%, 22 of them saves between 20-40% and 3 of them saves between 40-60%.
6.   Out of total respondents, 22 of them invest in monthly, 10 of them invest in once in 6 months and 18 of them invest in once in a year.
7.   Out of total respondents, 12 of them have a limited/ poor level of knowledge and 38 of them have a good knowledge.
8.   75% of respondents take the decision related to the investment on their own, 15% of respondents depend on their husband/wife and 10% of respondents depend on their parents and others.
9.   Among 98% of respondents gives importance for need for investment awareness.
10. Among 96% of respondents accept that through investment leads to economic development is possible.

Suggestions:

1. The investors have to identify the market situation and price fluctuation in the share market.
2. Most of the respondents prefer Bank Fixed Deposit and Government Securities as the investment option and there is a lack of awareness about various avenues like, Share Market, Mutual Fund etc. So, if they want to invest in various securities they should regularly read newspapers, journals and articles relating to stock market.
3. The government and SEBI should come forward to create awareness in the minds of investors.

4. Suggested that strict licensing of companies, strict action against defaulting companies by the overall of government and SEBI.

5. To enhance the saving habits of the investors.

6. After studying merits and demerits of different avenues, investors himself select the best avenue.

7. Majority of the investor prefer tax savings investment schemes. So for that the investment companies should market various tax savings schemes through share market and their benefits.

Conclusion:

Salaried employees are investing their savings for future benefits and most of people will look about the safety of their investment rather than high return, most of people are unaware about various investment avenues and still preferring the Bank Deposits, Insurance as a best one. Various factors are to be influenced to investor while investing like, Age of the investor, Educational Level, Income, Occupation and number of family members etc. In case of Youngsters, they have very eagerness to invest in riskier project and earn more money from it. Because, they don't have that much of responsibilities in their life. The present study based on Primary Data, which is collected by distribution of close ended questionnaire to salaried class people. Using Chi Square Test (Hypothesis) the data has been analyzed. I.e. there is a significant relationship between investment awareness and Gender, Age group and there is no significant relationship between investment awareness and Education, Occupation. Majority of respondents are saving their money into Bank for the future uncertainties and the main purpose of investment is Child Planning, Education Planning, Retirement and Tax Planning.

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