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A Study on Preferred Investment Avenues among Salaried People with Reference to Kanyakumari District, Tamil Nadu

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Abstract : *Investment is the employment of funds on assets with the aim of earning income or capital appreciation. There are large numbers of investment opportunities available today. Many people invest part of their income for future financial gain. Others make investments to protect the purchasing power of their savings against raising prices. In this paper the researcher has analyzed the various aspects relating to the preference of salaried class on various investments in Kanyakumari district of Tamil Nadu. The results highlight that the maximum of persons are making investment in bank deposits for safety and also most of them prefer medium term investments only. The study is based on personal interviews with salaried people, using a structured questionnaire. The data has been analyzed using percentage, Chi-square test and Garrett ranking technique. The researcher also made some suggestions based on the study.*

Keywords: *Investment, Investors, Return, Investment Avenues, Investment Pattern, Salaried Group, Reference Group.*

Research Paper :

Introduction :

Investment is the employment of funds with the aim of getting return on it. Investment of hard earned money is a crucial activity of every human being. Savings of the people are invested in assets depending on their risk and return. Investment is very important for any person. This is because, without adequate investment, there will be a collapse of life. Investment plays an extremely crucial role in the continuity and growth of any person. Investment raises a nation's standard of living also.

In India, number of investment avenues is available for the investors. Common investment avenues are broadly categorized under the following heads:

1. Mutual funds
2. Bank deposits
3. Shares
4. Post office savings
5. Insurance
6. Gold/silver
7. Real estate

The respondents of this study consist only the people those who are earning their money as salary, popularly referred as salaried groups. It is observed that the salaried group will always differ in their investment pattern due to safety, security, regular income, retirement benefit and other unique features than the other occupation people like businessman and professionals.

Review of Literature

Avinash Kumar Singh (2006), in his study analyzes the investment pattern of people in Bangalore city and Bhubaneswar. After analysis and interpretation of data, it is concluded that the Bangalore investors are more aware about various investment avenues and the risk associated with that.

Manish Mittal and Vyas (2008), in their article classifies Indian investors into different personality types and explores the relationship between various demographic factors and the investment personality exhibited by the investors.

Rama Krishna, Y., (2010), in his article says that investment in common stocks provide more return than any other financial assets. Seventy three percent of sample

stocks reported annualized return of 50% and above and eighteen percent of stocks reported annualized returns between 25% and 50%.

Monika Uppal (2011), in his article says the investment avenues are now being extended in the form of certain expenditures also. There are certain consumption expenditures which are encouraged under Indian Income Tax Act by providing tax deduction. The assessments are considering the payment of home loans and children tuition fee as one of the savings device which also reduces their tax liability.

Balakrishnan V., and Shanmugsundaram, V., (2011), in their article say certain peculiar characteristics of Indian investors, living in Chennai. The study has shown that the investors show a market preference for investing in the capital markets and that too, both the primary as well as secondary markets.

Objectives of the Study

1. To study the investment preference among salaried class people working in different sector of Kanyakumari district.
2. To know the factors which influence the investors to make an investment
3. To analyze the investment pattern among the salaried investors.
4. To offer suitable suggestions to the investors to make their investment in better way.

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 market.

Methodology

In this study the primary data was collected through questionnaires from respondents directly. The secondary data has been collected by the researcher from books, journals, newspapers and websites. Sampling used in this study is simple random sampling. The sample size of 140 respondents was taken for the study from Kanyakumari district. Simple percentage, chi-square test and Garrett Ranking Technique were used to analyze the data.

Limitations of the Study

1. The salaried class people were sometimes busy with their work, so they refused to give accurate information.
2. Some of the salaried class people were not willing to express their income level due to some personal problems.

3. The study area limited to Kanyakumari district only and hence the findings may not be applicable to other areas.

Analysis and Interpretation of Data

Out of 140 respondents, majority i.e. 54 (38 percent) respondents come under the age group of 36-45 years (Table:1), 111 (79 percent) respondents are males (Table:2), 104 (74 percent) are married (Table:3), 73 (52 percent) respondents are graduates (Table:4), 94 (67 percent) are private employees (Table:5) and 56 (40 percent) respondents earn Rs.1,00,000 to Rs.2,00,000 (Table:6).

Out of 140 respondents, 35 percent of salaried class people have invested in Bank deposits, 20 percent of them have invested in Insurance, 14 percent of them have invested in Gold/Diamond, 13 percent of them have invested in Post Office savings, 7 percent of them in Mutual Funds, 6 percent of them in Real Estate and 5 percent of them have invested in Shares and Debentures (Table:7).

Out of 140 respondents, 36 percent of them make investment in quarterly and 24 percent of them make the investment in half yearly (Table:8), 33 percent of respondents' saving purpose is for future needs and 28 percent of respondents' saving purpose is for children's education (Table:9), 37 percent of respondents' percentage of saving from their salary is 10-20 and 20 percent of respondents' percentage of saving from their salary is 31-40 (Table:10), 26 percent of respondents investment objective is safety, 21 percent of respondents investment objective is high return and 18 percent of respondents investment objective is tax saving (Table:11), 29 percent of respondents are self decision makers in choosing investment option, 22 percent of them are influenced by the family members while making their investment and 21 percent are referring the advertisements (Table:12), 47 percent of respondents prefer medium term investment and 30 percent are choosing short term investment (Table:13), 40 percent of respondents are having high level satisfaction on their investment, 37 percent of them have medium level satisfaction on their investment and 23 percent of them have low level or poor satisfaction on their investment (Table:14).

Analysis of the Level of Satisfaction of Respondents towards Investments

For determining the relationship between the level of satisfaction of the salaried class people towards investments and their demographic factors, chi-square test has been employed.

$$\chi^2 = \frac{\Sigma(O - E)^2}{E}$$

With (r-1) (c-1) degrees of freedom

Where O = Observed frequency

E = Expected frequency

r = No. of rows in a contingency table

c = No. of columns in a contingency table

Null Hypothesis

The null hypothesis is framed to find out whether the demographic factors of the respondents are independent of their level of satisfaction towards investments.

The table 15 reveals that there is no significant relationship between the demographic factors such as age, gender, marital status and educational qualification of the respondents and their level of satisfaction towards investment. However, the income of the respondents has significant relationship with their level of satisfaction towards investment.

Preference of Investment

The preference of the salaried class people towards different investment avenues are ranked with the help of Garrett's ranking technique and shown in Table 16.

The analysis shows that Bank deposit is the preferred investment avenues of the salaried class people of Kanyakumari district. It holds the first rank with a mean score of 82.48. Insurance holds the second rank, investment in Gold/Diamond holds third rank, Real Estate holds fourth rank, Investment in Shares and Debentures holds fifth rank, Post Office savings holds sixth rank, and Investment in Mutual Funds and other sources of investments holds seventh and eighth ranks respectively.

Findings

1. 49 (35 percent) of salaried class people invest in Bank deposits.

2. 26 percent of salaried class people's investment objective is safety.

3. 33 percent of salaried class people make savings to meet the future needs and 28 percent of them make savings for the purpose of their children's education.

4. 50 (36 percent) of salaried class people invest on quarterly basis.

5. 29 percent of salaried class people make investment decision on their own and 22 percent of them make investment decision on the basis of family members' advice.

6. 47 percent of salaried class people prefer medium term investments.

7. 52 (37 percent) of salaried class people save 10 to 20 percent of the income earned.

8. 40 percent of salaried class people's have high level satisfaction on their investment and 37 percent of them have medium level of satisfaction.

9. There is no significant relationship between the demographic factors such as age, gender, marital status and educational qualification of the respondents and their level of satisfaction towards investment. However, the income of the respondents has significant relationship with their level of satisfaction towards investment.

10. Bank deposits are the mostly preferred investment option by the salaried class people of Kanyakumari district.

Suggestions

1. Most of the salaried class people have preferred insurance next to bank deposits, so more concentration can be given towards that.

2. The investment options that provide regular income, safety and tax benefit to investors may be introduced by the financial institutions.

3. Only 7 percent and 5 percent of salaried class people have invested in mutual funds and share market. For that awareness program has to be conducted by Stock Broking firms.

Conclusion

Each and every individual saves a part of his income to meet his future needs. The percentage of income saved mainly depends on the income level, purpose of saving and objective of investments. In the same way, the choice of investment he adopts also depends on the return expected, percentage of income allotted for savings and the purpose of savings.

37 percent of salaried class people save 10-20% of their income whereas only 6 percent of them save more than 40% of their income. 35 percent of salaried class people have chosen bank deposits as the most preferable investment option. This is due to the reason, that the salaried class people's main investment objective is safety and regular income. This being the reason, 26 percent of salaried class people have chosen safety as their investment objective. Thus the most preferable investment option of the salaried class people of Kanyakumari district is the Bank deposit, since it is the investment avenue which provides safety to their investment with a regular return.

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Table: 1

Age of Respondents

Sl. No.	Variable	No. of Respondents	Percentage
1.	Below 25	18	13
2.	25-35	22	16
3.	36-45	54	38

4.	46-55	31	22
5.	Above 55	15	11
	Total	140	100

Source: Primary Data.

Table: 2

Gender

Sl. No.	Variable	No. of Respondents	Percentage
1.	Male	111	79
2.	Female	29	21
	Total	140	100

Source: Primary Data.

Table: 3

Marital Status

Sl. No.	Variable	No. of Respondents	Percentage
1.	Married	104	74
2.	Unmarried	36	26
	Total	140	100

Source: Primary Data.

Table: 4

Educational Qualifications

Sl. No.	Variable	No. of Respondents	Percentage
1.	Upto SSLC	27	19
2.	HSC	21	15
3.	Graduate	73	52
4.	Others	19	14
	Total	140	100

Source: Primary Data.

Table: 5

Nature of Employment

Sl. No.	Variable	No. of Respondents	Percentage
1.	Private	94	67
2.	Government	45	33

	Total	140	100

Source: Primary Data.

Table: 6

Annual Income

Sl. No.	Variable	No. of Respondents	Percentage
1.	Below 1,00,000	28	20
2.	1,00,000 – 2,00,000	56	40
3.	2,00,001 – 3,00,000	24	17
4.	3,00,001 – 4,00,000	13	9
5.	Above 4,00,000	19	14
	Total	140	100

Source: Primary Data.

Table: 7

Classification on the Basis of Investment Chosen

Sl. No.	Investments	No. of Respondents	Percentage
1.	Mutual funds	10	7
2.	Bank deposits	49	35
3.	Shares and debentures	7	5
4.	Post office savings	18	13
5.	Insurance	28	20
6.	Real estate	9	6
7.	Gold/diamond	19	14
	Total	140	100

Source: Primary Data.

Table: 8

Investment Frequency

Sl. No.	Investment Frequency	No. of Respondents	Percentage
1.	Monthly	26	19
2.	Quarterly	50	36
3.	Half yearly	34	24
4.	Annually	30	21
	Total	140	100

Source: Primary Data.

Table: 9

Purpose of Savings

Sl. No.	Purpose	No. of Respondents	Percentage
1.	Wealth creation	17	12
2.	Future needs	46	33
3.	Children's education	39	28
4.	House building	20	14
5.	Marriage purpose	18	13
	Total	140	100

Source: Primary Data.

Table: 10

Classification on the Basis of Income Saved

Sl. No.	Percentage of Savings	No. of Respondents	Percentage
1.	Below 10	35	25
2.	10 – 20	52	37
3.	21 – 30	17	12
4.	31 – 40	28	20
5.	Above 40	8	6
	Total	140	100

Source: Primary Data.

Table: 11

Investment Objective

Sl. No.	Objective	No. of Respondents	Percentage
1.	High return	29	21
2.	Regular income	16	11
3.	Tax benefit	25	18
4.	Capital appreciation	12	8
5.	Safety	36	26
6.	Liquidity	22	16
		140	100

Source: Primary Data.

Table: 12

Reference Groups

Sl. No.	Reference Group	No. of Respondents	Percentage
1.	Family members	31	22
2.	Friends	22	16
3.	Advertisements	29	21
4.	Financial consultants	17	12
5.	Self	41	29
	Total	140	100

Source: Primary Data.

Table: 13

Sort of Investment Preferred

Sl. No.	Term of Investment	No. of Respondents	Percentage
1.	Long term	32	23
2.	Medium term	66	47
3.	Short term	42	30
	Total	140	100

Source: Primary Data.

Table: 14

Satisfaction Level of the Respondents

Sl. No.	Satisfaction Level	No. of Respondents	Percentage
1.	High level	56	40
2.	Medium level	52	37
3.	Low level	32	23
	Total	140	100

Source: Primary Data.

Table: 15

Consolidated Results of Chi-Square Test

Sl. No.	Variables	Chi-square Value	Table Value at 5% Significant	D.F	Remarks
1.	Age	1.93	15.507	8	Insignificant
2.	Gender	2.78	5.99	2	Insignificant
3.	Marital status	5.07	5.99	2	Insignificant

| 4. | Educational qualification | 10.07 | 12.59 | 6 | Insignificant |
| 5. | Income | 17.42 | 15.507 | 8 | Significant |

Table: 16

Preference of Investment

Sl. No.	Investment Avenue	Mean Score	Rank
1.	Shares and debentures	51.60	V
2.	Bank deposits	82.48	I
3.	Mutual funds	46.90	VII
4.	Insurance	65.50	II
5.	Post office savings	47.80	VI
6.	Real estate	56.34	IV
7.	Gold/diamond	58.57	III
8.	Others	42.60	VIII