



AN ANALYSIS OF SAVING AND INVESTMENT PATTERNS OF SALARIED EMPLOYEES IN DIFFERENT STATES/UTS OF INDIA

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Abstract

Investment is employment of funds with the aim of getting additional income or growth in value of capital. Saving /investment is done by sacrificing current consumption, it is done for maintaining stability in the standard of living, meeting emergencies, meeting future needs/wants like purchasing house, children's education, children's marriage, safety of retirement life etc. Investment can be in real assets or financial assets. The variety of investment avenues available in the market keep on changing over time and with changing financial needs of an economy. Some of the investment avenues available for the investors are bank deposits, post office schemes, mutual funds, shares, gold, real estate etc. In this study an attempt is made to analyze the saving and investment patterns across different states by analyzing various studies done in city/region in different states. In this analysis it is found that though variety of investment avenues available in the market, people across these states prefers to invest in low risk investment avenues like bank deposits, post office schemes, and insurance schemes.

Keywords: *Saving pattern, Investment pattern, Investment awareness, Investment avenues, salaried employees.*

Introduction

Investment is done mainly to lead a safety and prosperous life. Salaried employees are the people who have regular monthly income. Salaried people after meeting regular expenses, try to save some money from their salary for meeting emergency expenses and to achieve some objectives like purchasing house, children's education ect. Economic development of any country is dependent on the capital formation in that country. Capital formation depends on saving/investment patterns of citizens of that country. Saving/investment will lead to capital formation, that leads to investment in variety of economic activity, that will lead to generation of employment and production of variety goods and services and efficient utilization of natural resources. Finally that will lead to growth in GDP, better standard of living of people, better infrastructure, reduction of poverty etc.

Objectives of the study

The present study analyses investment patterns of salaried class people across 10 different states/UTs by analyzing research studies done in cities/region of those 10 states/UTs.

The objectives are as follows

1. To review the saving and investment patterns across 10 states.
2. To analyze their preferred saving/investment avenues according to their states.
3. To evaluate the factors considered while selecting investment avenues.
4. To examine saving/investment objectives across these states.

Scope of the study

This study helps in understanding saving/investment patterns across these different states. It helps in understanding the various factors which influence investors while selecting Investment Avenue. This also throws light on source of information on which investors rely upon while selecting Investment



Avenue. It could be used by the financial sector in designing better investment avenues, marketing and creating awareness regarding various investment avenues.

Limitations of the study

1. This study is purely based on review of previous research studies.
2. The research papers are selected based on availability of research papers.
3. The research papers selected are the studies done on the city/region they may not be applicable to the whole state.

The article **“A Study on Investment Patterns and Awareness of Salaried Class Investors”** stated that majority of the respondents belong to middle aged persons. As the salary of the respondents increases there will be increase in the awareness about various investment avenues as the salary increases the disposable income to invest/save also increases. The level of awareness about investment increases with the increase in number of earners in family. There is a close relationship between the education qualification of the respondents and their level of fulfillment. Majority of the respondents go for low risk investment avenues like bank deposits, insurance, post office savings as because of majority of the respondents work for private industry, where the employment is not guaranteed. (Manjunath, 2015).

The article **“A Study Of Saving And Investment Pattern Of Salaried Class People With Special Reference To Chandigarh”** concluded that most preferred investment avenue is LIC, followed by PPF. Most of the investors have the objective of getting returns from the investment, followed by taking tax benefits objective. Here most of the investors take suggestions/information from family and friends, negligible investors take advice of professional advisers. To be attractive the investment should have high rate of return or tax benefits according to majority of the investors. There is significant relationship between age, income, employment and annual savings. There is no significant relationship between the education and annual savings. Only few respondents make investments on shares, debentures and mutual funds. (Deepak & Dr, 2015).

The article **“A Study Of Savings And Investment Patterns Of Salaried Class People With Special Reference To Pune City(India)”** found that mutual funds and bank deposits are the most preferred investment avenues by the respondents in pune. Majority of the respondents are aware of the investment avenues available. There is no significant relationship between gender and investment awareness. Majority of the respondents are of the opinion that educational qualification effects on the selection of investment avenues. There is significant relationship between the income level and awareness of the investment among respondents as comparatively higher income class people are more aware about different investment avenues than respondents with lower income class people. Safety is the major factor while selecting investment. The main investment objectives of investors are good returns, followed by future security on investment and self awareness is the main information source for investment. (Prof & Dr, 2018).

The article **“Investment Pattern Of Salaried Class Of Somnath(Daman) – A Study Of Various Investment Options Available”** found that majority of the salaried people of somnath are aware about and investing in bank deposits and insurance policies. The study also reveals that the salaried people’s motive of saving is dependent on age, It is independent of the other demographic factors like gender, educational qualifications and monthly income. In addition to this, most important factor salaried people consider for making as investment is regular return and reducing tax liability. For majority of respondents of age group 21 to 40, motive of saving is to build reserve for unforeseen contingencies,



improve standard of living and pass fortune to next generation and to carry out speculation business. (Zankhana & Ronikadevi).

The article **“Saving And Investment Behavior Of Teachers – An Empirical Study”** revealed that the proportion of monthly income invested in bank deposits and small saving among teaching community is very low. The teaching community as a whole reported low degree of investment in money circulation scheme, real estate and public provident fund and corporate securities. This trend indicates that by and large teaching community is demonstrating risk aversion investment behavior as they tend to invest in low risk return investment avenues. Important motives for savings and investment were assured returns, freedom from risk and tax benefits. Colleagues, family members and relatives appear to be the major consulting source for investment. There is a significant relationship between age, gender, marital status, educational status, monthly family income, type of family structure and level of savings and investment. (Dr A. A., 2012).

The article **“Savings And Investment Pattern Of Private Sector Employees In Kottayam District”** found that there is significant relationship between income groups of private sector employees with regards to preferred investment avenue such as bank deposits, post office savings, chit funds, insurance schemes, provident fund, mutual fund, shares and debentures, real estate. Out of various investment avenues the most proffered investment avenues are bank deposits and insurance schemes and least preferred investment avenues are mutual funds schemes and shares and debentures. The major factors affecting investment decisions are stability of return, maturity period of investment and profitability. The main objective behind investment are regularity of income, meeting future needs, meeting emergencies. Lack of awareness about investment, lack of suitable investment avenues, cost of investment are the major problems faced by the investors during their investment. (Sebin & Abby, 2019)

The article **“A Study Of Analysis Of Investment Pattern Of Salaried Class Employees With Special Reference To Nainital District”** stated that investors prefer those investment avenues where they get high returns in less time with low risk. Most of the employees invest in bank deposits and post office savings for returns and stability. Most of the investors go for mutual funds while investing their funds but real estate and equity investment are least considered. The investors have less knowledge of managing their income and assets. The study revealed that the risk appetite of the salaried class group is higher but they also strive for study and better returns. Most of the investors basically the young ones had their own plans to invest but as far as the other groups are considered they invest their money with their relatives’s help. Hardly 12% of the respondents have or consult the financial advisors before investing money. (Uma & Dr, 2019).

The article **“Investor’s Preference towards Investment Avenue with Special Reference to Salaried Personnel in North Gujrath Region”** analyzed that age and income have significant relationship with investment, while gender and education does not have significant relationship with investment. Fixed deposits, post office scheme and gold and silver are most preferred investment avenues of the respondents. Very few people make investment on mutual fund and stock market. Majority of respondents invest for purchasing home and long term growth. It is also observed that friends/relatives and financial advisor have greater impacts over advices sought before investment. (Neha, 2016).

The article **“A Study on Preferred Investment Avenues among Salaried People with Special Reference to Kanyakumari District, Tamilnadu”** has stated that there is no significant relationship between the demographic factors such as age, gender, marital status and education 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. Bank deposits are mostly preferred investment option by the salaried class people of kanyakumari district. Shares and debentures and real estate and mutual funds are least preferred investment avenue. The main purpose of savings is for future needs followed by children's education. Main investment objective are safety, high return and tax benefits. Here the majority of the investors take investment decision based on the self-awareness and input from family members and friends, least number of people take advice from financial consultants. (Dr, 2016).

The article “**An Empirical Study of the Investment Preferences of Salaried Employees**” revealed that the majority of the salaried employees still prefer to invest in safety investment avenues like LIC/PF/NSC/Bonds and bank/ post office deposits. Apart from this, they also invest in real assets like real estate and gold but they have still not formed a positive attitude towards investment in equity shares and mutual funds, the reason being their apprehension about the security of funds and surety of returns on them. Moreover as far as the impact of the investment preferences of the salaried is considered gender, income and education have been found influencing the investment preferences significantly whereas the variable age has not been influencing the investment preferences of the salaried employees. (B & K, 2012)

Major findings

1. Though the number of investment avenues is increasing with passage of time with variety of features, the salaried class people of these different states prefer to invest/save in the form of bank deposits, insurance and post office savings. This is because of the fact that respondents prefer safety of funds and surety of returns. In these cities/regions only exception is pune city, where most preferred investment avenues are mutual funds and bank deposits.
2. It also can be concluded that awareness about different investment avenues increases with increase in salary, as the salary increases the disposable income to invest/save also increases.
3. Major factors respondents considered before making any investment are regularity of return and reducing tax benefits.
4. Major objectives of saving/investing are meeting emergencies, meeting future needs.
5. The majority of investors take investment decision by their own or by consulting friends, colleagues, family members and relatives. The percentage of investors who consult professional advisors before investing is very minimal.
6. The major common problems faced by the investors are lack of awareness about investment, lack of suitable investment avenues, cost of investment ect.

Conclusion

Majority of the salaried employees are not risk takers as they prefer to invest in low risk and low return investment avenues. Majority of these salaried investors get advice from friends and relatives, very marginal investors contact professional advisers before making investment. Majority of investors do not have good level of awareness about shares and mutual funds so by conducting various kinds of awareness programs investors can be motivated to invest in nontraditional investment avenues.



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