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A Study on Savings and Investment Pattern among the Working-class People in Belagavi City

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Abstract

Investment is an economic activity and it is fascinated by people as a sphere of intense activity. The main aim of any saver is to do investment as these small investments made today are to meet their upcoming expenditures. The amount of outlay and proportion of savings largely depends upon the income levels of people. Investments are made out of savings, or in other words, people invest their savings. The investor has a number of investment substitutes, from traditional investments to emerging options of recent years. The present study is focused on savings and investment pattern among the working class people in Belagavi city to analyze their investment pattern and create an awareness among people in savings for a better living. A sample size of 60 salaried respondents has been selected using simple random sampling technique. The data has been collected using a structured questionnaire. The findings of the study highlight that majority of respondents prefer to invest in bank deposits and LIC; and consider it a safe and secured investment for future.

Keywords: Avenues, investment, risk, savings

INTRODUCTION

Economic growth of a country is regulated by savings and its transformation into investment. Investment is a term with several closely related meanings in finance and economics. It refers to the accumulation of some kind of asset in hope of getting a future return from it. Behavior of individuals towards investment relates to how they use their savings to attain their financial objective.

According to Reddy and Krishnudu “Investment Behavior refers to the attitudes, perceptions and willingness of the individuals in planning their savings in various assets”. The objective of the investment includes demographic factors like age, occupation, gender and income of the savers. The main objective of this research work is to know and comprehend the investor’s investment awareness about different investment choices, and to provide an idea about all the factors considered by investors for an appropriate investment.

Investment is defined by Fisher and Jordon as “A commitment of funds made in the expectation of some positive rate of return”. Return on investment is an essential element of an investment [1]. As the return is expected to be realized in future period, there is a possibility that the return actually realized is lower than the return expected to be realized. The possibility of imbalance in the actual return is known as investment risk. Thus, every investment involves risk and return.

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A few of the investments like bank deposits, post office certificates, company deposits, life insurance, mutual fund, chit fund and real estate and so on, yield only income. If the investments are in the form of assets such as shares in companies, land and buildings and the like, they record capital appreciation. Investment made in the government securities, listed on a recognized stock exchange are easily transferable and marketable. A part of investments whose value fluctuates widely and returns are uncertain are regarded as risky investments. Investment in marketable securities is regarded as financial investment, expected to yield income in the form of interest or dividend along with appreciation in their values.

OBJECTIVES OF INVESTMENT

The objective of any investment is maximization of the economic welfare of the investor in the long run. Welfare of the investor relates to two important aspects, namely, maximization of wealth and liquidity offered by the wealth. The term wealth maximization is further classified into three components namely cash return, capital appreciation and safety. Thus, the objectives of investors may be summarized as follows:

Capital Appreciation

It is one of the important objectives of investment. Investment involves real assets or financial assets. Real assets are tangible assets such as land, building, automobiles and bullions, whereas financial assets refer to piece of paper having an indirect claim to real assets held by some others (stock certificates).

Safety

Investors while investing their hard earned money consider safety as the essential objective of investment. Safety is the key aspect as many investors are quite contended with low yield investments. They refuse from other investment options which are not cent percent safe.

Liquidity

The liquidity of an investment refers to the degree of its ready encashability. Generally, investors prefer investments which offer higher liquidity. Typically, savings account and term deposits with banks are readily encashable.

Tax Planning

As the income tax rates vary from 10 to 30% with a surcharge, the tax liability of those with higher income brackets is somewhat heavy. The interest received by the investor from his investment is a taxable income and in certain cases tax is deducted at source of interest income (TDS).

DIFFERENT INVESTMENT AVENUES (PATTERN)

There are a wide-ranging investment instruments available today. The people have to choose proper avenue among those available, depending upon their specific need, risk preference, and return that are expected. Investment options can be broadly categorized under the following heads:

Equity

These securities bear more risk than investing in debt instruments. There is no assured return, but the return is dependent on market risk. It has a basic assumption of high risk and high return.

Mutual Funds

It benefits in the form of safety of principal, capital appreciation and interest or dividend. Under the mutual fund scheme, an investor even with a small amount can be a participant in investing in big companies, which are otherwise inaccessible to him because of his small investment.

Bank Deposits

Among investments, deposits with banks are more popular. Banks have initiated different types of deposit accounts with various facilities and privileges. Basically, deposits with banks are classified into three categories, namely, (a) savings deposits account (b) fixed deposits account and (c) current accounts.

Post Office Savings

It offers fixed deposit facilities and monthly income scheme. The deposit should be in multiples of Rs. 50. The rate of interest ranges from 8.20% for 1 year deposit to 8.50% for 5 year deposit. No withdrawal is allowed before 6 months. Interest is credited half yearly but paid annually. These deposits can be pledged as security.

Public Provident Fund

It is a savings-cum-tax-saving instrument in India. It is a retirement planning tool for many of those who do not have any structured pension plan covering them.

It is a 5 year saving scheme; one can invest a minimum Rs. 500 and maximum of Rs. 1.5 lakh in a financial year. It not only offers tax-savings under section 80C of the Income Tax Act, but the interest earned on it and maturity amount are also exempt from tax.

Real Estate

It is predominantly defined as immovable property such as land and everything permanently attached to it like buildings. Real estate as opposed to personal or movable property is characterized by the right to transfer the title to the land whereas title to personal property can be retained. It is authentic that real estate offer a rate of return which is superior to avenues such as company deposits on a long term basis.

Life Insurance

It is a contract to pay a sum of money to the person assured on the happening of an event insured against. Usually, the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or if unfortunate death occurs. LIC has launched various schemes to suite the requirements of different people.

Government Securities

The securities issued by central, state and quasi government agencies are known as government securities or gilt edged securities. As government security is a contend on the government, it is a secured financial instrument, which guarantees the income and capital. The rate of interest on these securities is comparatively low because of their high liquidity and safety.

Gold/Silver

From ages, gold and silver is considered as a form of investment. They are considered as best hedge against inflation. Investors invest in jewellery instead of pure gold. Gold has been used throughout the past as money and has been a relative standard for currency equivalents.

Objectives of Study

The objective of the study is to understand the investment pattern and awareness towards working class investors in Belagavi City. The following are the objectives of the research work:

1. To know the investment pattern among working class people.
2. To create awareness about various avenues of investment.
3. To encourage savings habit among various groups.
4. To analyze the investment motives and pattern among risky and risk averse investor based on time period.
5. To compare and interpret between traditional and emerging avenues.

Need of the Study

Salaried employees in general fix the flow of income and their investments pattern. In connection with this, researcher has tried to find out investment behavior of salaried investors in Belagavi city. It will be helpful to recognize the investment preferences of investors.

RESEARCH METHODOLOGY

Research Design

The research work is based on exploratory study as well as descriptive study [2]. An expository research is carried out to describe about the phenomenon. This study is hence done to understand the investment behavior of the different salaried groups and its approach towards investment avenues.

Sample Size

The study sample comprised of 60 salaried people in Belagavi city. Out of 60 employees, only 52 respondents filled the questionnaire completely. Thus, the sample was limited to only 52 employees.

Sampling Technique

Sampling technique is a technique used to select the sample size. Convenient sampling technique is used in this research. Investors were selected according to the convenience of the research study.

Sampling Design

As the information is to be taken from investors, a questionnaire has been prepared for studying the saving habits and investment pattern of salaried class people at Belagavi city.

Data Collection Source

The research work is based on both secondary and primary data. The secondary information has been collected from different published materials vis. Books, Journals, magazines and websites etc. Primary data is collected through a structured questionnaire.

Statistical Tools and Techniques

The collected data were analyzed by using statistical tools like SPSS16, Tables, Percentages, charts and diagrams.

Limitations of the Study

1. They survey was limited to a particular region only.
2. The research has been confined to a limited number of respondents and it may not be generalized.
3. Non-response of some of the respondents for the questionnaire required for the study.

REVIEW OF LITERATURE

1. Charkha explored "A Study of Saving and Investment Pattern of salaried class people with special reference to Pune city (India)"; it is observed by the researcher that investment avenues are selected by the individuals based on self-assessment test [3]. It is found that safety of investment, followed by good return is the major factor for investment. Further, on an average 20% monthly savings is made by the salaried class respondents. The sample size chosen by the respondents is 60 salaried employees.
2. Kakkattuchali explored "A Study on the Investment Behaviour of Gulf Migrants with Special Reference to Malappuram District"; the research paper has emphasized on the gulf migration and awareness about different investment avenues [4]. The author found that respondents of the study area are frequently investing in gold and silver and savings deposit. 60 respondents were selected using simple random sampling technique. The major preference is given for the secured income and regular future income. Capital gain is the least preference given by the respondents.

3. Ganapathi and Madhvan carried out a survey on "A Study on Investment Behavior and Attitude of Women Investors of Bangalore, Karnataka"; the researcher conducted a survey of 120 women respondents in Bangalore to know about the preferences and financial literacy among the working class group and found that women are skeptical towards investment in stock market because of high risk and uncertainty [5]. The psychological behavior of Indian women shows that they are fond of bullion and investment is bullion metals is attractive. The study showed that most of the women are comfortable with traditional mode of investment i.e., secured deposits.
4. Geetha conducted "A Study on Investment and Savings Pattern among the Working Women in Coimbatore City"; the researcher surveyed working women across the government and private organizations of Coimbatore city [6]. The data was collected for 126 respondents through a structured questionnaire and found that majority of women are aware of the investment options and most of them invest in bank deposits and gold.

DATA ANALYSIS AND INTERPRETATION

Gender Wise Classification

The Table 1 and Figure 1 show that, out of total 52 respondents taken for the study, 33 (63.5%) respondents are female respondents and 19 (36.5%) are male respondents.

Table 1. Table showing gender wise classification.

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	19	36.5	36.5	36.5
Female	33	63.5	63.5	100
Total	52	100	100	

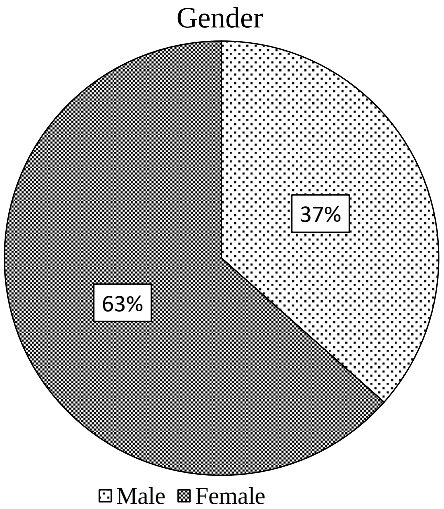

Figure 1. Gender wise classification. *Note:* Sample size is 60, but only 52 respondents have answered the questionnaire.
Source: Primary Data.

Marital Status

From the Table 2 and Figure 2, it is clear that out of total 52 respondents, 27 (51.92%) respondents are married and 25 (48.08%) respondents are unmarried.

Table 2. Marital Status.

Marital_status	Frequency	Percent	Valid Percent	Cumulative Percent
Married	27	51.9	51.9	51.9
Unmarried	25	48.1	48.1	100.0
Total	52	100.0	100.0	

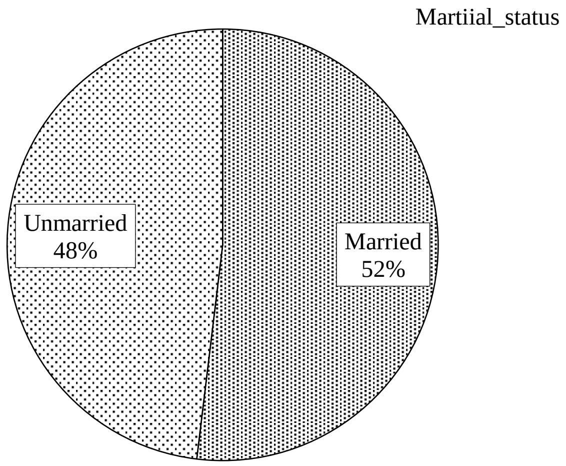

Figure 2. Marital Status of respondents.
Source: Primary Data.

Educational Qualification

Table 3 and Figure 3 show the educational qualification of total 52 respondents.

Table 3. Educational qualification.

Educational Qualification	Frequency	Percent	Valid Percent	Cumulative Percent
Graduation	13	25.0	25.0	25.0
Postgraduate	34	65.4	65.4	90.4
Professional	5	9.6	9.6	100.0
Total	52	100.0	100.0	

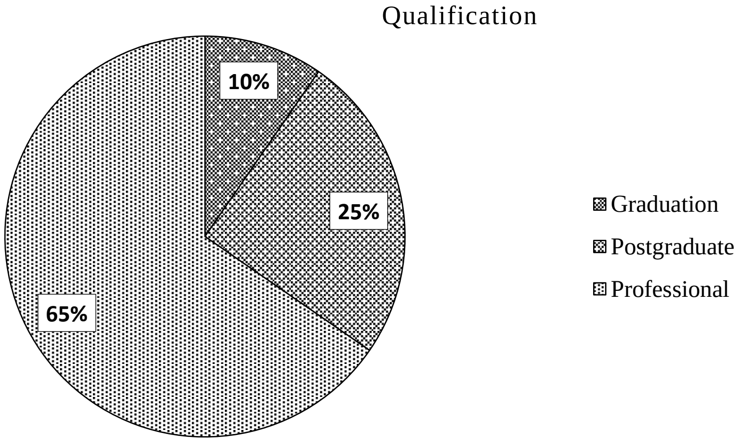

Figure 3. Educational qualification of respondents.

Monthly Income

From the Table 4 and Figure 4, it shows that out of 52 respondents, 28 (53.85%) respondents have monthly income between Rs. 10000 and 20000, 8 (15.38%) respondents have monthly income between Rs. 30000 and 40000, 6 (11.5%) respondents have monthly income between Rs. 20,000 and 30,000, 5 (9.6%) respondents have monthly income more than Rs. 50,000 and 5 (9.6%) respondents have monthly income of less than Rs. 10,000. So, it is interpreted that majority of respondents earning range is between Rs. 10000 and 20000 per month.

Table 4. Monthly income of the respondents.

Monthly_Income	Frequency	Percent	Valid Percent	Cumulative Percent
<10,000	5	9.6	9.6	9.6
10,000–20,000	28	53.8	53.8	63.5
30,000–40,000	8	15.4	15.4	90.4
>50,000	5	9.6	9.6	100.0
Total	52	100.0	100.0	

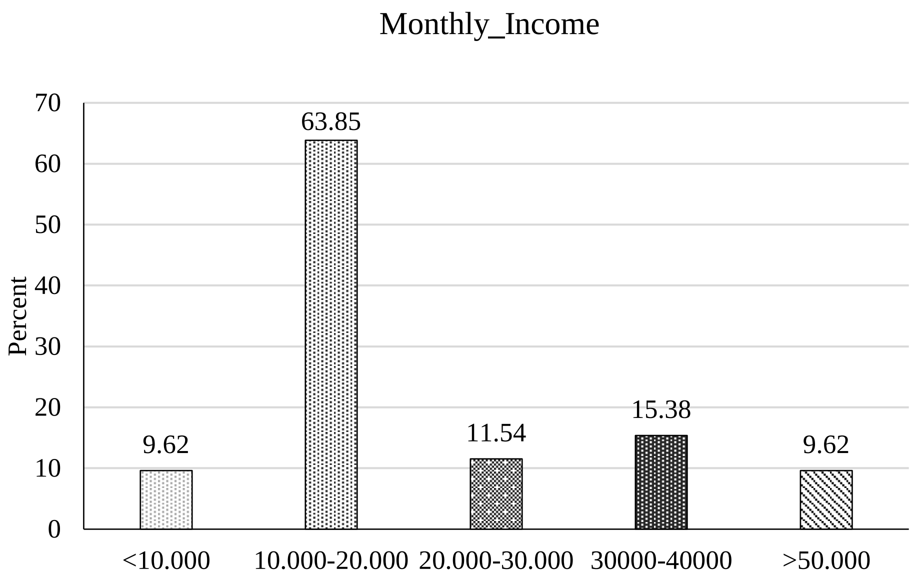

Figure 4. Monthly income of the respondents.
Source: Primary Data.

Consumption of Income

From the Table 5 and Figure 5, it is clear that out of 51 respondents, 24 (46.2%) respondents have a monthly expenditure of 40–50%, 10 (19.2%) respondents spend between 30 and 40% for monthly expenses, 9 (17.3%) respondents spend in the range between 20 and 30% and 8 (15.4%) respondents spend only 10–20% for monthly expenses.

Table 5. Percentage of income spend for consumption.

Percentage of Income Spent	Frequency	Percent	Valid Percent	Cumulative Percent
10–20%	8	15.4	15.7	15.7
20–30%	9	17.3	17.6	33.3
30–40%	10	19.2	19.6	52.9
40–50%	24	46.2	47.1	100.0
Total	51	98.1	100.0	
Missing System	1	1.9		
Total	52	100.0		

Percentage of Income Saved

From the Table 6 and Figure 6, it shows that out of 52 respondents, 16 (30.8%) respondents save between 0 and 10% of monthly income, 14 (26.9%) respondents save between 20-30% and 30-40% respectively. It is interpreted that higher the income, greater is the percentage of savings.

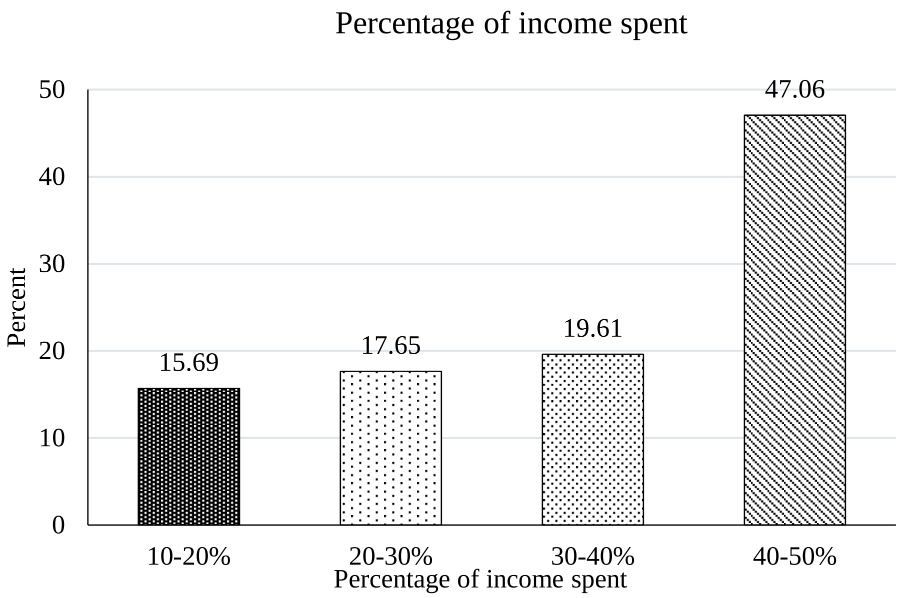

Figure 5. Showing percentage of income spend for consumption.
Source: Primary Data.

Table 6. Table showing percentage of income saved.

Percentage of Income Saved	Frequency	Percent	Valid Percent	Cumulative Percent
0–10%	8	15.4	15.4	15.4
10–20%	14	26.9	26.9	42.3
20–30%	14	26.9	26.9	69.2
30–40%	16	30.8	30.8	100.0
Total	52	100.0	100.0	

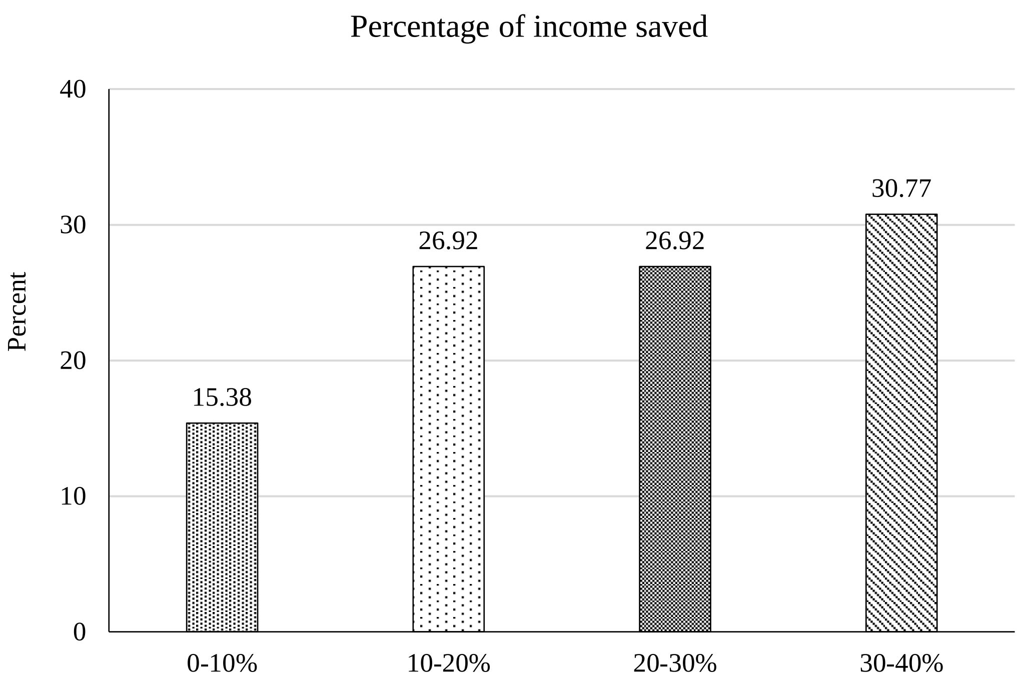

Figure 6. Showing percentage of income saved.
Source: Primary Data.

Savings Invested

From the Table 7 and Figure 7, it is evident that out of 51 respondents, 37 respondents (71.2%) have invested the savings and only 14 respondents have not invested their savings so far.

Table 7. Table showing percentage of savings Invested.

Investment of Savings	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	37	71.2	72.5	72.5
No	14	26.9	27.5	100.0
Total	51	98.1	100.0	
Missing System	1	1.9		
Total	52	100.0		

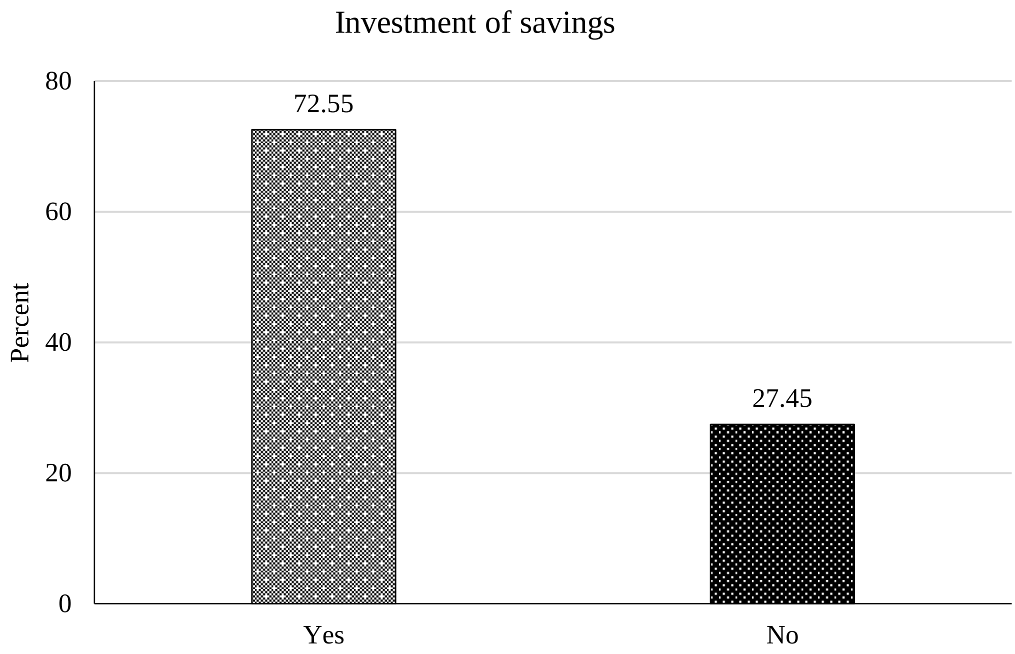

Figure 7. Showing percentage of savings invested.
Source: Primary Data.

Factors Considered for Investment

From the above Table 8 and Figure 8, it shows that out of 56 respondents, 22 (39.3%) respondents consider income and low risk factor towards investment, 16 (28.6%) respondents consider high income and high risk, 15 (26.8%) respondents moderate risk and moderate income (i.e. are risk averse investors and 16 respondents (28.6%) are ready to bear a high risk for higher returns.

Table 8. Table showing Factors considered for Investment.

	Responses		Percent of Cases
Factors Frequencies	N	Percent	
Factor Income and low investment risk	22	39.3%	46.8%
Moderate income and moderate risk investment avenue	15	26.8%	31.9%
High income and high risk investment avenue	16	28.6%	34.0%
Traditional investment avenue	3	5.4%	6.4%
Total	56	100.0%	119.1%

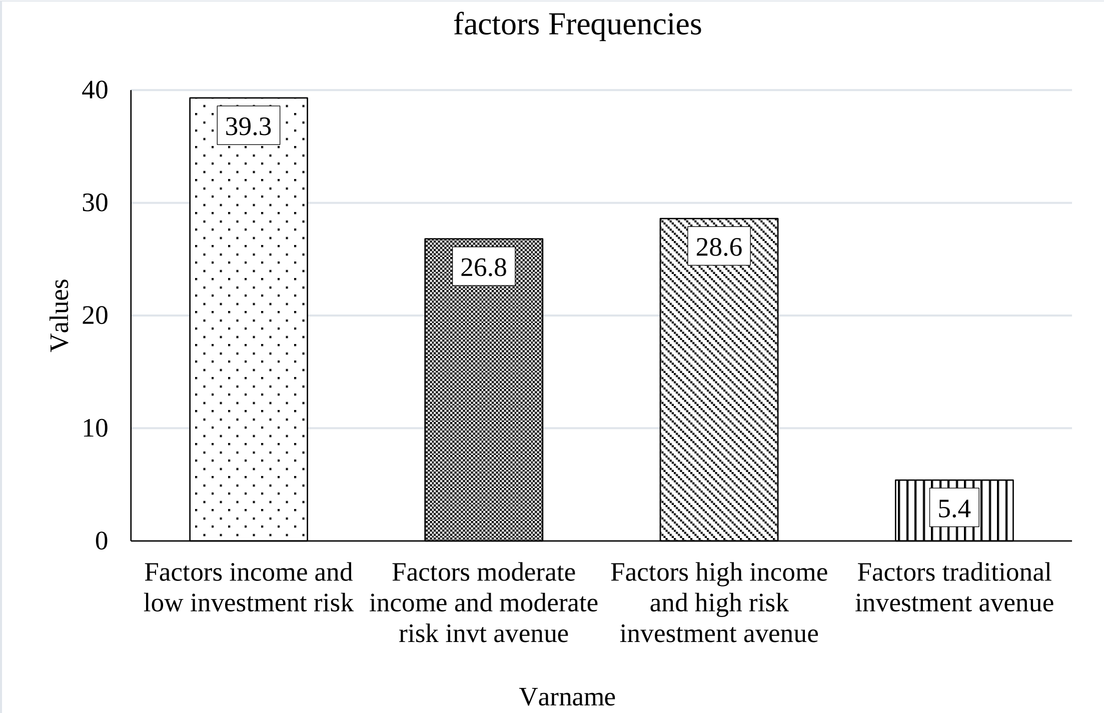

Figure 8. Showing factors considered for investment. *Note:* The respondents are given with the multiple options to choose for the factors influencing for investment. The Value of N is 56 in the above Table
Source: Primary Data.

Investment Avenues

Figure 9 and Table 9 shows that out of 113 respondents 17.7% respondents consider insurance as investment avenue, 30.1% considered bank, 12.4% considered post office savings, 4.4% considered real estate, 2.7% considered govt. securities, 11.5% considered gold and silver, 15.0% considered mutual funds and 6.2% considered equities as the investment avenues.

Table 9. Table showing pattern of investment avenues.

Investment avenue frequencies	**Responses**		**Percent of Cases**
Avenue	**N**	**Percent**	
Insurance	20	17.7%	41.7%
Bank	34	30.1%	70.8%
Post office savings	14	12.4%	29.2%
Real estate	5	4.4%	10.4%
Govt. Securities	3	2.7%	6.2%
Gold and Silver	13	11.5%	27.1%
Mutual funds	17	15.0%	35.4%
Equities	7	6.2%	14.6%
Total	113	100.0%	235.4%

a. Dichotomy group tabulated at value 1.

Note: As multiple options are given to the respondents for investment in different investment avenues, the total value of N is increased to 113.

Modern Investment Avenues

From the above Table 10 and Figure 10, it is clear that out of 52 respondents, 30 (34.1%) respondents have invested in SIP, 23 (26.1%) in mutual funds, 14 (15.9%) in equities and 11 (11.4%) in Health insurance. It is interpreted from the results that respondents make periodical investments towards SIP, mutual funds etc.

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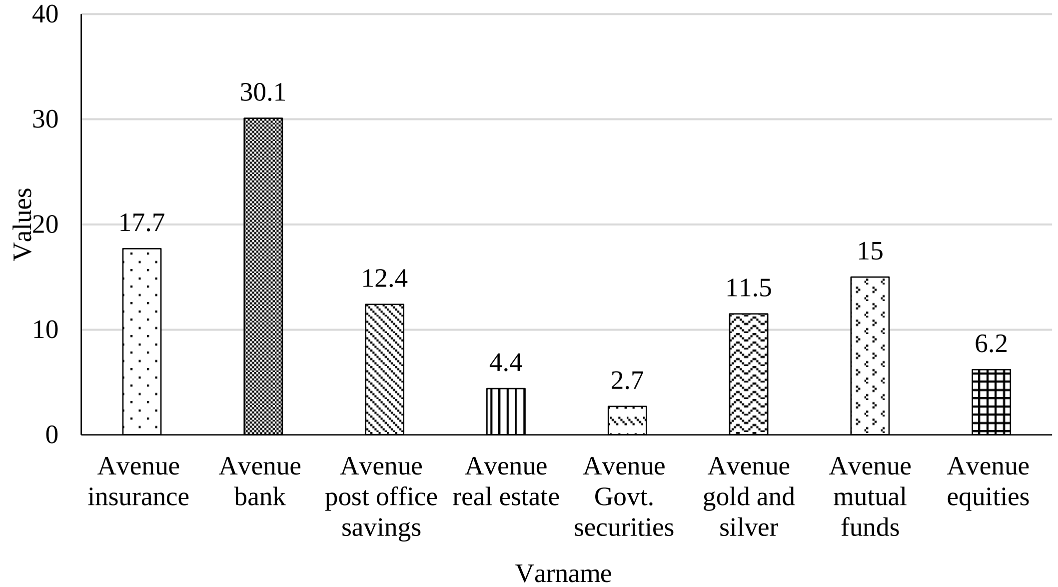

Figure 9. Showing Pattern of Investment avenues.

Table 10. Table showing modern investment avenues.

Modern Avenues Frequencies	**Responses**		**Percent of Cases**
Investment	**N**	**Percent**	
Equities	14	15.9%	35.9%
Mutual funds	23	26.1%	59.0%
SIP	30	34.1%	76.9%
Health Insurance	10	11.4%	25.6%
Chit fund	4	4.5%	10.3%
NSC	7	8.0%	17.9%
Total	88	100.0%	225.6%

a. Dichotomy group tabulated at value 1.

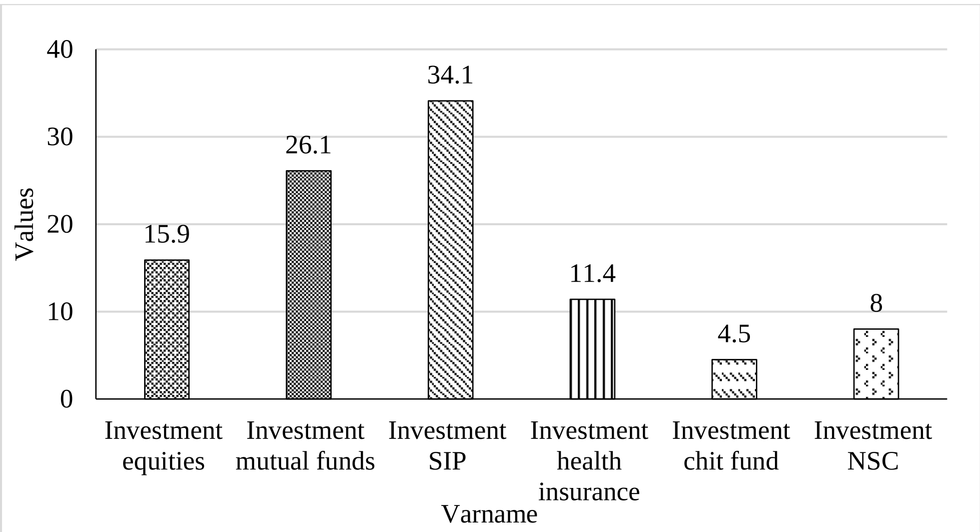

Figure 10. Showing modern investment avenues.
Source: Primary Data.
Note: As multiple options are given to the respondents for investment in different investment avenues, the total value of N is increased to 88.

Purpose of Investment

From the Table 11 and Figure 11, it shows that 32 (41.6%) respondents invest for a secured future, 23 (29.9%) of respondents invest with the purpose of safety, 9 (11.7%) respondents are investing for a regular income, 7 (9.1%) invest to earn capital gain and only 6 (7.8%) respondents with the purpose of esteem value.

Table 11. Table showing purpose of investment.

Purpose of Investment Frequencies	Responses		Percent of Cases
	N	Percent	
Safety	23	29.9%	46.0%
Regular income	9	11.7%	18.0%
Secured future	32	41.6%	64.0%
Esteemed value	6	7.8%	12.0%
Capital gain	7	9.1%	14.0%
Total	77	100.0%	154.0%

a. Dichotomy group tabulated at value 1.

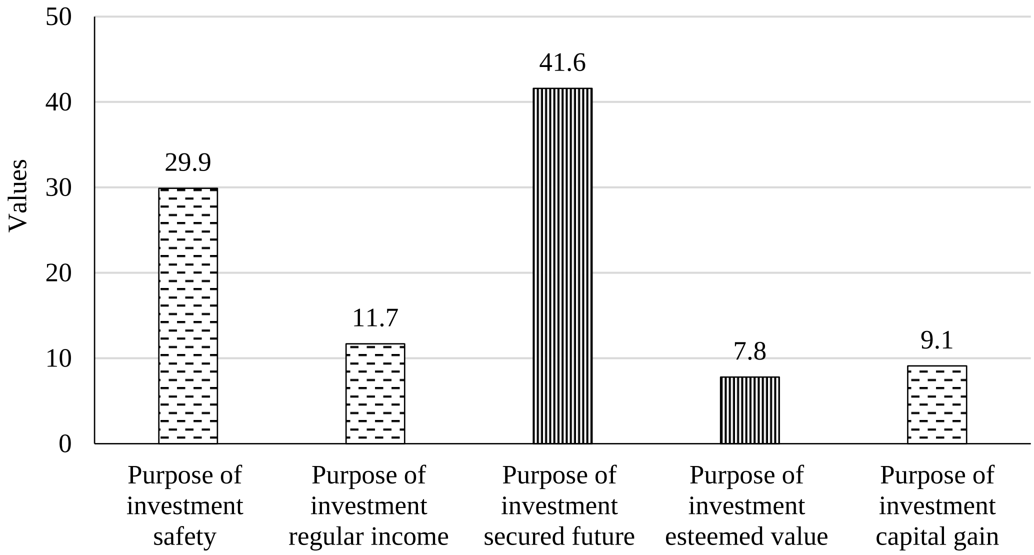

Figure 11. Showing Purpose of Investment.

Source: Primary Data.

Note: Respondents are given with the multiple options to choose the purpose of investment, so the value of N is increased to 77.

Long-term Goals of Investment

From the above Table 12 and Figure 12, it is clear that almost 25 (32.5%) respondents save and invest towards retirement corpus, 24 (31.2%) invest for a good education of children, 20 (26%) respondents invest for a dream house and only 8 (10.4%) invest with the goal of children's marriage.

Table 12. Table showing long term goals of investment.

Long-term Frequencies	Responses		Percent of Cases
	N	Percent	
Retirement corpus	25	32.5%	52.1%
Children Education	24	31.2%	50.0%
Children Marriage	8	10.4%	16.7%
Dream House	20	26.0%	41.7%
Total	77	100.0%	160.4%

a. Dichotomy group tabulated at value 1.

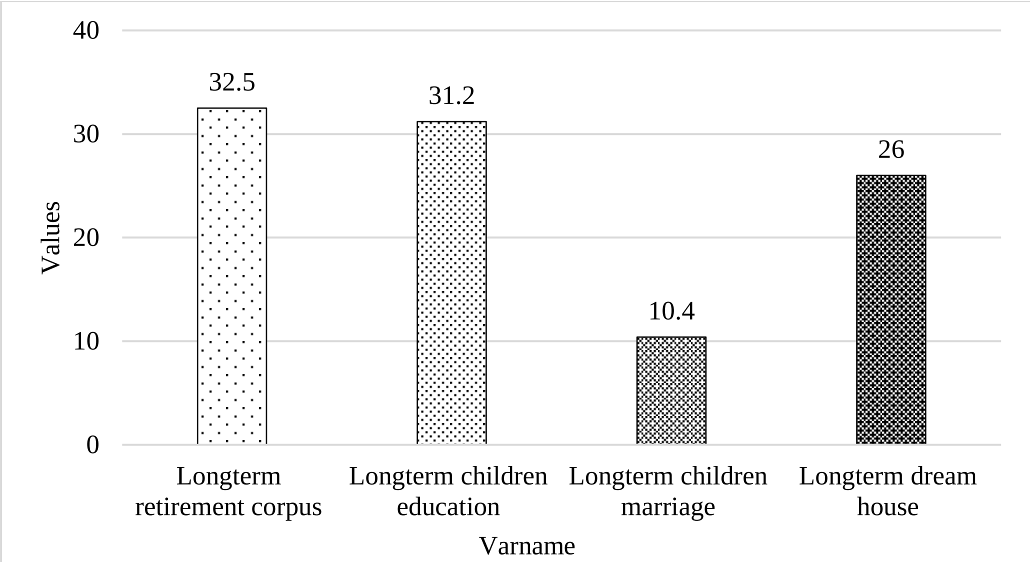

Figure 12. Showing Long term goals of Investment.
Source: Primary data.

FINDINGS

1. It is inferred that 15% of respondents save 0–10% of their income, 30% save 10–20%, 30% of respondents save 20–30% and 31% of respondents save 30–40%.
2. In the study the researcher has investigated 52 respondents of Belagavi city and it reveals that 82.69% are aware about modern investment avenues whereas 17.31% are unaware.
3. The study reveals that 72.5% of respondents invest their savings and 27.45% of have not taken the initiative to park their savings.
4. The study shows that, 39.3% of respondents are risk-averse investors who consider income and low investment risk as the main factor before making an investment, 28.6% of respondents are risky investors, who consider high risk for high income as the main factor before investing.
5. The study also reveals that 30.1% of respondents opted to invest in Bank deposit, 17.7% of respondents prefer to invest in LIC, 15% in Mutual fund, 12% in post office savings, 11.5% in gold and silver, 6.2% in Equities and 4.4% in Real estate.
6. The study indicates that majority of the respondents invest in short term avenues like Fixed deposit and Recurring deposit which constitute 35.1 and 32.4% respectively, with a short term goal of investment to ensure return and liquidity.
7. It is inferred that Fixed deposit and LIC is given top priority for medium and long term avenues of investment with 18.9% each respectively. Mutual funds is another contributing avenue towards modern investment option of 16.2%, followed by PPF 13.5%, Gold and silver 11.7% because of rich cultural tradition in India.
8. The long term investment is made by respondents towards retirement corpus which constitute 32.5% of respondents for a healthy post retired life, children education with 31.2%, dream house with 26% and children marriage 10.4%.
9. As majority of respondents are aware of modern avenues and it found that 34.1 of respondents invest in SIP, 26% of respondents invest in mutual funds, 15.9% in equities, 11.4% in health insurance, 8% in NSC and 4.5% in chit fund.
10. Researcher has found that 54.8 and 25.8% of respondents prefer to invest their money for monthly and yearly basis respectively.

SUGGESTIONS

It is absolutely essential to save your income what you earn, to have a plan for your future, and resist spending of funds that you already do not have. Following are some of the suggestions in the light of the findings.

Health Insurance

Age keeps on decreasing and people are prone to sickness; they should be covered with health insurance to be able to take care of their health. The medical treatment is becoming costlier day by day and it is becoming out of reach of common person in India. So, Health Insurance remains only the viable alternative to cover the medical care cost. There is a need to create awareness of usefulness such schemes.

Public Provident Fund

The scheme has exempt-exempt-exempt (EEE) status, where the deposits, interest earned as well as the maturity amount are tax-free. The minimum investment in PPF is Rs. 500 per annum and maximum up to Rs. 1.5 lakh per annum. Savings under this product is completely risk-free because of government backing.

Post Office Savings and NSC

The post office savings is also offering a favorable rate of interest compared to bank deposits and incase of NSC though the lock-in period is for 5 years. It can be chosen as a best avenue for medium term investment which fetches the return close to 8% with annual compounding.

Equities

Awareness needs to be created by stock broking firms among risk averse investors towards favorable option in stock market investments among the youngsters.

CONCLUSION

After the analysis and interpretation of data it is concluded that investors are very well aware about investment avenues that are available, but still majority of investors are preferring to invest their money in bank deposit, LIC etc. It is found that most of the respondents have the habit of investment and frequently they are investing in bank deposit. Investment in mutual funds through the way of Systematic Investment Plan (SIP) is the most favored investment option by the youngsters. Hence, it is concluded that most of the investors prefer secured regular income on investment in the study area.

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