

A study on the Investment Behaviour of Salaried Class Belonging to Government Sector

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ABSTRACT

Investment is an activity that will lead to capital formation which will encourage industrial development through flow of money from investors to corporate borrowers and which in turn will lead an economy to overall development of the economy. Government employees are those educated salaried class who have a stable income and thus can plan their investment by saving a part of their income. This study was undertaken with an attempt to find the investment behaviour of government employees of Vaikom Taluk in Kottayam district of Kerala. It is found that respondents prefer traditional method of investment and lacks adequate knowledge about high return investment avenues. They prefer to take low risk and are interested in medium term investment. The study also highlights the purpose behind investment and respondents level of awareness regarding various investment avenues. It also brings into light the major factors influencing investment decision of salaried class.

Key Words: *Investment behaviour, Investment avenues, Investment decision, Government employees, salaried class*

INTRODUCTION

Human wants are unlimited and sometimes these wants even exceeds one's resources. Money management is therefore a complex task and involves making important financial choice after rational consideration and planning rather than making them instinctively. The real purpose of managing money is to establish an objective of providing financial security and well-being for the future. Thus making plans to take care of future goals should be a part of one's financial planning.

Investment is an activity that is engaged by people who have savings. I.e. investments are made from savings, or in other words, people invest their savings. But all savers are not investors. Investment is an activity which is different from savings. Thus, investment may be defined as “a commitment of funds made in the expectation of some positive rate of return. Expectation of return is an essential element of investment. It is a reward for waiting for money. It is clear that investment is a commitment of funds for earnings additional income. Investment is undertaken in the expectation of return which is in proportion to the risk the investor assumes.

STATEMENT OF THE PROBLEM

The Government employees who are educated and have stable income can plan their future and can invest in various avenues according to their risk preference and purpose of investment. Also is necessary to find out the whether they are exploring the opportunities available in the market or still investing in the traditional way. On the basis of these facts the investigator wants to explore the investment behaviour of Government employees, Hence the problem is stated as: “A study on the investment behaviour of government employees with special reference to Vaikom taluk of Kottayam district”.

NEED AND SIGNIFICANCE OF THE STUDY

Government employees are playing their due role in the economic and social development of the country. Majority of the government employees have their own savings. They channelize their savings into profitable investment and playing an important role in the overall development of the nation. The volume and composition of savings are important in the process of economic development of nation. Nations productive capacity depends on a healthy capital formation. Therefore, the study about the savings and investment pattern of government employees has due importance and it would be beneficial in bringing out the various facets of the investment habit of government employees.

OBJECTIVES OF THE STUDY

- ❖ To understand the purpose of investment.
- ❖ To identify the factors influencing investment decision.
- ❖ To know the awareness level of employees regarding various investment alternatives.

Hypothesis

Ho: There is no association between age of investors and level of preference towards investment

RESEARCH METHODOLOGY

For the purpose of arriving at inference, both primary and secondary data has been used. Primary data used for the study where collected using structured questionnaire schedules. Secondary data has been collected from the previous studies, books and articles found in newspapers and magazines. 60 government employees from Vaikom taluk of Kottayam district, Kerala, constitute the sample for the study. Convenience sampling method has been applied.

The data collected were classified, stored and tabulated for giving more comprehensive presentation. Mathematical and Statistical tools such as simple percentage analysis, weighted ranking method and chi square test statistics were used for analyzing the data. Tables are used for presenting the data.

DATA ANALYSIS AND INTERPRETATION

Socio - Economic and demographic Background of respondents

	Category	Frequency	%
AGE	Up to 30	12	20%
	31-50	30	50%
	Above 50	18	30%
	Total	60	100%
	SEX	Male	36
Female		24	40%
Third Gender		0	0%
Total		60	100%
LEVEL OF EDUCATION	S.S.L.C	4	7%
	+2/Pre degree	12	20%
	Degree	22	37%
	Post-graduation	12	20%
	Others	10	16%

	Total	60	100%
MARITAL STATUS	Married	54	90%
	Unmarried	6	10%
	Divorced	0	0%
	Total	60	100%
OCCUPATION	Government offices	4	7%
	Education Sector	12	20%
	Health Sector	22	37%
	Telecom sector	12	20%
	Others	10	16%
	Total	60	100%
MONTHLY INCOME	Below 50,000	24	40%
	50,000-60,000	10	17%
	60,001-70,000	14	23%
	Above 70,000	12	20%
	Total	60	100%
LENGTH OF SERVICE	Below 10 years	22	37%
	10 to 20 years	22	37%
	Above 20 years	16	16%
	Total	60	100%

- Majority of employees fall in the age group of 31-50
- Most of the employees are male
- Majority of employees are graduates.
- Most of the respondents are married.
- Majority of respondents i.e. 37% belongs to health sector.
- Monthly income of majority respondents i.e. 40% are below Rs.50,000
- Most of the respondents have an experience of 20 years and less.

ANNUAL INVESTMENT

Category	Frequency	%
Below 50,000	9	15%
50,000-1,00,000	19	31.67%
Above 1,00,000	32	53.33%
Total	60	100%

Annual investment of majority of employees are above 1 lakh

LEVEL OF PREFERENCE TOWARDS INVESTMENT

Level	Frequency	%
Low	8	13%
Medium/Moderate	42	70%
High	10	17%
Total	60	100%

Most of the employees have only moderate level of preference towards investment

TYPE OF INVESTMENT

Category	Frequency	%
Short term	14	23%
Medium term	34	57%
Long term	12	20%
Total	60	100%

57% of the employees have medium term investment.

FACTORS INFLUENCING INVESTMENT DECISIONS

Factors	Weights						Total weight	%	Rank
	6	5	4	3	2	1			
Safety of money	34	20	0	6	0	0	322	25%	I
Long term benefits	22	10	14	10	4	0	276	22%	II
Availing tax concession	0	12	18	16	6	8	200	16%	IV
Low risk	4	18	20	10	8	0	240	19%	III
Higher liquidity	0	0	4	12	26	18	122	10%	V
Regular Returns	0	0	4	6	16	34	100	8%	VI
Total	60	60	60	60	60	60	1308	100%	

According to the respondents Safety of money is the most important factor influencing their investment decision with the highest weight of 322 and thus it was ranked one. It is followed by long term returns and low risk with 276 and 240 weight respectively and thus was ranked second and third. Availing tax concession and Higher liquidity got weight of 200 and 122 respectively. Regular returns were ranked last as it got least weight of 100.

Risk Tolerance

Category	Frequency	%
No risk	16	27%
Low risk	30	50%
Medium risk	8	13%
High risk	6	10%
Total	60	100%

Majority Employees prefer to take low risk when it comes to investing their surplus savings.

AWARENESS OF EMPLOYEES ABOUT DIFFERENT INVESTMENT AVENUES

Avenues	Good knowledge		Average knowledge		No idea	
	Frequency	%	Frequency	%	Frequency	%
Real estate	4	7%	40	67%	16	27%
Precious metal	6	10%	8	13%	46	77%
Bank deposit	56	93%	4	7%	0	0%
Post office	46	77%	10	17%	4	7%
Provident fund	20	33%	34	57%	6	10%
Life insurance	34	57%	14	23%	12	20%
Mutual fund	8	13%	22	37%	30	50%
Chit fund	54	90%	6	10%	0	0%
Shares & other Securities	14	23%	18	30%	28	47%

A good number of respondents have knowledge on bank deposits, chit funds, post office saving schemes, Life insurance policies etc. and have average knowledge about real estate and provident fund. Respondents awareness level regarding precious metals, Mutual fund and shares and securities are comparatively low.

PREFERENCE OF INVESTORS IN DIFFERENT INVESTMENT AVENUES

Avenues		Respondents	%
Bank deposit	Yes	56	93%
	No	4	7%
Chit Funds	Yes	50	83%
	No	10	17%
Insurance	Yes	50	83%
	No	10	17%
Mutual Fund	Yes	4	7%
	No	56	93%
Post office Scheme	Yes	44	73%
	No	16	27%
Gold	Yes	36	60%
	No	24	40%

Shares and Other securities	Yes	12	20%
	No	48	80%
Real estate	Yes	10	17%
	No	50	83%

Majority employees prefer Bank deposits, Chit Funds, Insurance, Post office saving schemes for investment. Mutual fund, shares and securities are least preferred investment avenues

PURPOSE OF INVESTMENT

Factors	Weight						Total weight	%
	6	5	4	3	2	1		
Higher education & marriage of child	26	16	10	6	2	0	298	24%
Future security	18	8	6	16	8	4	240	19%
House construction	10	18	10	6	12	4	236	19%
Capital gain	2	8	14	14	6	16	178	14%
Hedge against inflation	2	4	16	8	20	10	170	13%
Tax concession	2	6	4	10	12	26	138	11%
Total	60	60	60	60	60	60	1260	100%

As per the respondents main purpose behind investment is higher education and marriage of children as it received highest weight of 298 and was ranked 1. Future security and House Construction received weight of 240 and 236 respectively. Capital gain and hedge against inflation received weights of 178 and 170 respectively. Tax concession received least weight of 138.

ANALYSIS USING CHI-SQUARE TEST(X2-TEST)

Here researcher set a hypothesis that there is relationship between Age and level of preference towards investment of respondents. In order to test this hypothesis chi square test is used.

Table showing age and investment preference of respondents

Age	Low	Medium	High	Total
Up to 30	4	4	6	14
31-50	4	24	0	28
Above 50	0	14	4	18
Total	8	42	10	60

Level of significance = 5%,

Degree of Freedom = (r-1) (c-1)

$$(3-1)(3-1) = 4$$

Table value = 9.488

Calculated value (6.1647) < table value (9.488)

Therefore, here investigator accept null hypothesis and it can be concluded that there is no association between age and investment preference

FINDINGS

- Majority of the government employees are of age group 31-50. Most of the respondents i.e., 60% are of male category and 40% are of female category. A good number of respondents i.e., 37% are degree holders. Most of the respondents are married. Majority of respondents belongs to health sector. Most of the respondents have an experience of below 20 years. Majority of respondents monthly income fall in the income group of below 50,000
- Most of the respondents have annual investment above 1,00,000
- Majority of the respondents have moderate level preference towards investment.
- Most of the respondents prefer medium term investment and have preference towards long term investment.
- Safety of Money is the major factor influencing investment decision of employees and it is followed by long-term benefits and low risk.

- From the analysis it is found that the level of knowledge about investment avenues like bank deposit, post office, life insurance, chitty fund, provident fund etc is comparatively high and degree of awareness of employees regarding mutual fund, shares and other similar securities etc. is comparatively lower.
- Respondents prefer traditional methods of investing like bank deposits Life insurance policies etc. and doesn't prefer to opt mutual funds, shares and other securities for investing.
- From the data interpreted it is clear that comparatively a greater number of respondents opined that the main purpose behind their investment is higher education and marriage of children, it is followed by future security and house construction.
- As per the chi square test analysis result, it is found that there exist no association between age and investment preference.

Conclusion

The Present study has important implications for investment managers as it has come out with certain interesting facets of an individual investor. The employees still prefer to invest in financial products which give risk free returns. As per the study, investors even if they are of high income, well educated, salaried, independent are conservative investors prefer to play safe. The investment product designers can design products which can cater to the investors who are low risk tolerant and use TV as a marketing media as they seem to spend long time watching. The study also highlights the need of educating employees regarding new means of investment which will result in high returns and capital gain. Lack of knowledge about new schemes of investment will lead to less flow of money into those schemes and thus it won't reach the corporate borrowers there by limiting the industrial development of the country.

Thus, this study will benefit a large spectrum of salaried individuals belonging to various households, investment agencies, financial institutions, banks and the Government in general, in understanding the movement and scope for accumulation on money for public and private sector growth.

Suggestions

- Financial education must be provided to prospective investors regarding new financial instruments available for investment.
- Investors need to be educated about SIP of mutual funds.
- Most of the investors prefer Bank F.D and Govt. Securities as investment options, there is lack of awareness about other avenues like equity shares, mutual fund etc. so it is mandatory to make them aware of the benefits of investing in them through newspapers, journals and articles related to stock market.

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